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**FACTORS AFFECTING TAX PREPARATION
ERRORS MADE BY TAX PROFESSIONALS IN
MALAYSIA**



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**MASTER OF ACCOUNTING
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**FACTORS AFFECTING TAX PREPARATION ERRORS MADE BY TAX
PROFESSIONALS IN MALAYSIA**



**By
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**Thesis Submitted to
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TUNKU PUTERI INTAN SAFINAZ
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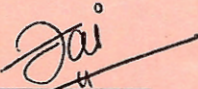
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ABSTRACT

Tax professionals have an important role in the tax system as both advocate for their clients and intermediary for the tax authorities. However, the audit statistics on tax returns preparation shows a tax gap of more than RM5 billion in the tax returns prepared by the tax professionals. This study proposes the influence of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity of tax professionals on tax preparation errors made by tax professionals. The current study's sample comprises 359 tax professionals from throughout Malaysia, drawn using the convenient sampling technique. The data was collected using a self-administered questionnaire and analysed using multiple regression analysis. The results of the analysis show that ethics, co-worker support, work engagement, perceived behavioural control, self-recognition and working experience have a significant influence on tax preparation errors. However, ethnicity of tax professionals has an insignificant influence on tax preparation errors. The findings of the current study suggest that corporate taxpayers and the Inland Revenue Board of Malaysia (IRBM) should appreciate the good work of tax professionals and recognise their efforts in preparing error-free tax returns. In tax returns preparation, co-workers/peers should support and help each other to review the tax returns before sending to their clients or the IRBM. This study highlights the potential contribution of tax professionals in corporate tax returns preparation with a focus on the errors made by them. The result of the study can be helpful for tax professionals, corporate taxpayers and the IRBM to understand the factors that can cause errors in tax returns preparation. The results of the study can also be helpful for tax professionals to identify the factors that can help them to reduce errors in tax returns preparation.

Keywords: tax preparation errors, ethics, self-recognition, work engagement, perceived behavioural control

ABSTRAK

Pengamal cukai profesional berperanan penting dalam sistem percukaian, bukan sahaja sebagai penasihat kepada pelanggan mereka, bahkan sebagai orang tengah untuk pihak berkuasa yang menjaga hal-ehwal cukai. Namun begitu, statistik audit untuk penyediaan penyata cukai menunjukkan terdapat defisit cukai yang bernilai lebih daripada RM5 billion dalam penyata cukai yang disediakan oleh golongan pengamal cukai profesional. Kajian ini mengusulkan terdapat pengaruh etika, sokongan rakan sekerja, keterlibatan kerja, kawalan tingkah laku yang ditanggap, swapengiktirafan, pengalaman kerja, dan etnik pengamal cukai profesional terhadap ralat penyediaan penyata cukai yang dikendalikan oleh pengamal cukai profesional. Sampel kajian melibatkan seramai 359 orang pengamal cukai profesional dari seluruh negara. Pemilihan sampel dilakukan dengan menggunakan teknik persampelan mudah. Data dikutip menerusi tinjauan soal selidik yang ditadbir sendiri dan dianalisis dengan menggunakan analisis regresi berganda. Hasil analisis menunjukkan bahawa etika, sokongan rakan sekerja, keterlibatan kerja, kawalan tingkah laku yang ditanggap, swapengiktirafan, dan pengalaman kerja mempunyai pengaruh yang signifikan terhadap ralat penyediaan cukai. Walau bagaimanapun, etnik pengamal cukai profesional mempunyai pengaruh yang tidak signifikan terhadap ralat penyediaan penyata cukai. Dapatan kajian menyarankan bahawa pembayar cukai korporat dan Lembaga Hasil Dalam Negeri (LHDN) wajar menghargai kualiti kerja pengamal cukai profesional dan mengiktiraf usaha pengamal ini dalam menfailkan penyata cukai yang bebas ralat. Dalam penyediaan penyata cukai, rakan sekerja/rakan sejawat seharusnya membantu dan menyokong satu sama lain untuk menilai semula penyata cukai sebelum mengembalikan penyata cukai kepada pelanggan atau pihak LHDN. Kajian ini mengetengahkan potensi sumbangan pengamal cukai profesional dalam usaha penyediaan penyata cukai sektor korporat dengan berfokus kepada ralat yang dilakukan oleh pengamal cukai profesional. Hasil kajian berguna kepada pengamal cukai profesional, pembayar cukai korporat, dan pihak LHDN untuk memahami faktor yang boleh menyebabkan ralat dalam penyediaan penyata cukai. Hasil kajian juga bermanfaat untuk membantu pengamal cukai profesional mengenal pasti faktor yang boleh membantu mereka mengurangkan ralat dalam penyediaan penyata cukai.

Kata kunci: ralat penyediaan penyata cukai, etika, swapengiktirafan, keterlibatan kerja, kawalan tingkah laku yang ditanggap

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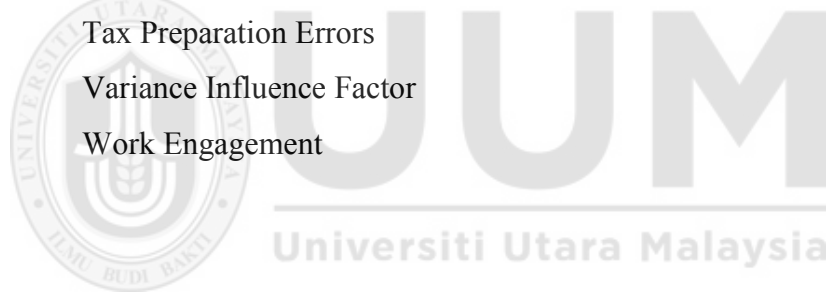
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LIST OF ABBREVIATION

CS	Co-Worker Support
E	Ethics
EFA	Exploratory Factor Analysis
IRBM	Inland Revenue Board of Malaysia
IRS	Internal Revenue Service
ITRF	Income Tax Return Form
KMO	Kaiser Meyer Oklin
PBC	Perceived Behavioural Control
SAS	Self-Assessment Systems
SPSS	Statistical Package for Social Science
SR	Self-Recognition
TPE	Tax Preparation Errors
VIF	Variance Influence Factor
WE	Work Engagement



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Tax professionals play an important role in advocating their clients and acting as intermediaries between clients and the tax authorities. The role of tax professionals is becoming more challenging due to changes in the tax landscape. After the implementation of the Self-Assessment System (SAS), taxpayers now have to bear greater responsibilities to comply with the tax regulations. These responsibilities, in turn, put a heavier burden on tax professionals because corporate taxpayers rely on tax professionals to handle their tax-related issues (Mohd Isa as cited in Hamid, 2014). Ayres and Ghosh (1999) explained that tax professionals play an important role by guiding their clients on what is legal and what is illegal in the tax system. Moreover, tax professionals are those who act as an intermediary between taxpayers and the Inland Revenue Board of Malaysia (IRBM).

In previous literature, there is no single definition or term available to refer to a person who helps his or her clients to prepare tax returns. As a result of this, various terminologies have been used, such as tax practitioner, tax preparer, tax professional and tax agent (Dubin, Graetz, Udell & Wilde, 1992; Klepper, Mazur & Nagin, 1991; Kahle & White, 2004; Mohd Isa, 2012; Tan, 1999). The term, „tax professional“ is used in the current study to represent the professionals hired by taxpayers to handle their tax matters and who help clients to prepare their tax returns.

Tax professionals are responsible to advocate for their clients in the Court and represent their clients when dealing with the IRBM (Tan & Sawyer, 2003; Tomasic & Pentony, 1991). Tax professionals must be objective while performing their professional work as advocate or agent of their clients. Tax professionals should understand the complexities of being audited and they are expected to act as intermediaries between the taxpayer and IRBM (Hamid, 2014).

Considering the complexity of the tax codes involved throughout the filing process, it is thus not surprising that clients get assistance from tax professionals. It is the complex nature of the tax system that urges clients to employ a tax professional in order to facilitate the tax returns filing process. In this way, the tax returns can be filed accurately and precisely. In other words, a tax professional is an „actor“ who plays the role of ensuring the smoothness of the nationwide tax system operations (GAO, 2013).

Sapiei, Kasipillai and Eze (2014) mentioned that with respect to sources of income tax work, some companies handle their tax affairs internally; some completely outsource their tax-related activities; and a majority of corporate taxpayers use both sources. It was further argued that almost 24% of their respondent companies in Malaysia employ external tax professionals, whilst more than 70% utilise both internal resources and external tax professionals to manage their income tax returns and only 5% rely on internal auditors.

The role of tax agents is becoming more challenging with the changes in the tax landscape, such as the implementation of the SAS, which transfers more responsibility to taxpayers to comply with their tax obligations, and who in turn, rely on tax agents to comply with the tax laws (Hamid, 2014). According to Sapiei and Abdullah (2008), the introduction of the SAS has led to high compliance costs. Kasipillai (2007) stated that with the introduction of the SAS, it is anticipated that a large proportion of taxpayers, particularly the business community, would not complete their own returns, but get a tax agent or tax advisor to complete it on their behalf. Torgler (2003) elaborated that the assistance of a tax professional is sought after as taxpayers seek to ensure the accuracy of tax returns. Past studies in tax compliance have suggested that due to the expertise of tax professionals, taxpayers heavily rely on tax professionals to manage their tax returns (Hamid, 2014).

In order to file accurate tax returns and avoid any legal action or penalties, taxpayers tend to hire tax professionals. Tax professionals have an important role in corporate tax returns preparation to determine accurate and correct tax returns. Mohd Isa (2012) elaborated the role of tax professionals and mentioned that corporate taxpayers in Malaysia rely on tax professionals to handle their tax returns. The corporate taxpayer not only seeks assistance for tax returns preparation but also advice from the tax professionals in their tax planning.

Sapiei et al. (2014) conducted a study on corporate taxpayers in Malaysia and found that approximately 95% of their respondent companies employ tax professionals for

preparing tax returns (p.396). Mohd Isa (2012) also mentioned that corporate taxpayers in Malaysia engage tax agents for the purpose of tax returns preparation. It can be argued therefore that corporate taxpayers rely on tax professionals for tax returns preparation.

In corporate tax returns preparation, tax professionals assist taxpayers in preparing tax returns. Taxpayers rely on tax professionals to provide them with accurate, complete and fully compliant tax returns; however, tax returns prepared often vary widely from what has been determined the returns should and should not include. These over and understatement of returns sometimes has significant consequences (McTigue, 2014). Corporate taxpayers have to pay tax penalties as a consequence of errors in tax returns preparation (IRBM, 2015). These penalties occur due to the errors committed by the tax professionals during tax returns preparation for their corporate clients.

Beavers (2008) defined tax returns preparation errors as errors that result from misstatements and omissions in tax returns, which could be an overstatement of refunds and understatement of tax liabilities. In explaining tax returns preparation errors, Beavers (2008) categorised tax returns preparation errors into two categories: those that are human errors (unintentional) and those that are wilful and reckless (deliberate/intentional). Both categories of errors are tax returns preparation errors. Current research has used both categories of tax returns preparation errors as tax errors. Soled and Goodman (2010) explained that human errors in tax returns preparation can occur easily through misinterpretation of the prevailing tax laws, misconstruing the

taxpayer's facts or mechanical data entry mistakes. On the other hand, deliberate errors are purely due to ill intentions of tax professionals. There are several reasons for deliberate errors, including preparers' incompetence as well as preparers' dishonest.

According to a tax officer in the IRBM, „tax returns preparation errors“ are commonly found in the work of tax professionals and are defined as:

“Incomplete form, over-claim of deductions and under-reported income mean error, and we found them commonly while auditing tax returns”.

Nevertheless, not all the mistakes made by tax professionals are regarded as malpractice. They may be acquitted for giving wrong advice and making mistakes if the law is unclear that had caused their inaccurate judgement. The tax errors made by tax professionals are of both kinds, intentional and unintentional. In some other cases, it may include failure to file returns or late filing of tax returns, negligence in tax returns preparation or incorrect tax planning advice to clients. All these errors result in a tax gap between the amount due and the amount paid by taxpayers.

In the current research study, data on corporate tax returns preparation errors made by tax professionals was gathered. The audit data to Income Tax Form C which is prepared by tax professionals as shown in Table 1.1. There were 18,814 cases audited in the year 2010, and an amount of RM 778,525,869 was found as the difference (gap) between the tax amount due and tax amount reported. In the year 2011, there were 17,080 cases that were audited and RM 429,767,548 was found as tax gap. A total of 20,596, 16,025 and

25,688 cases were audited in years 2012, 2013 and 2014, and a tax gap of RM 1,394,015,126, RM 1,213,004,673 and RM 1,405,455,410 were found, respectively.

The details of tax returns preparation errors made by tax professionals are shown in Table 1.1, Figure 1.1 and Figure 1.2. The information was collected from the Audit Department of IRBM via personal visit to the IRBM head office in Cyberjaya. The audit department sorted out data based on the tax returns filled by tax professionals. The data presented below reflect the data collected based on the Income Tax Returns Form C, which is designed for the tax professionals to file the tax returns on behalf of their clients. The difference in the amount includes both intentional and unintentional errors. The audited data given in Table 1.1 and Figure 1.2 is solely based on the audited cases of Tax Returns Form C. The tax gap is the difference between actual amount to be paid by the client and amount reported by the tax professionals on behalf of their clients.

Table 1.1
Cases Audited for Income Tax Returns Form C (Prepared by Tax Professionals) 2010-2014

Year	Cases Audited	Tax Gap (RM)
2010	18,814	778,525,869
2011	17,080	429,767,548
2012	20,596	1,394,015,126
2013	16,025	1,213,004,673
2014	25,688	1,405,455,410

Source: Audited Reports: Inland Revenue Board Malaysia 2015

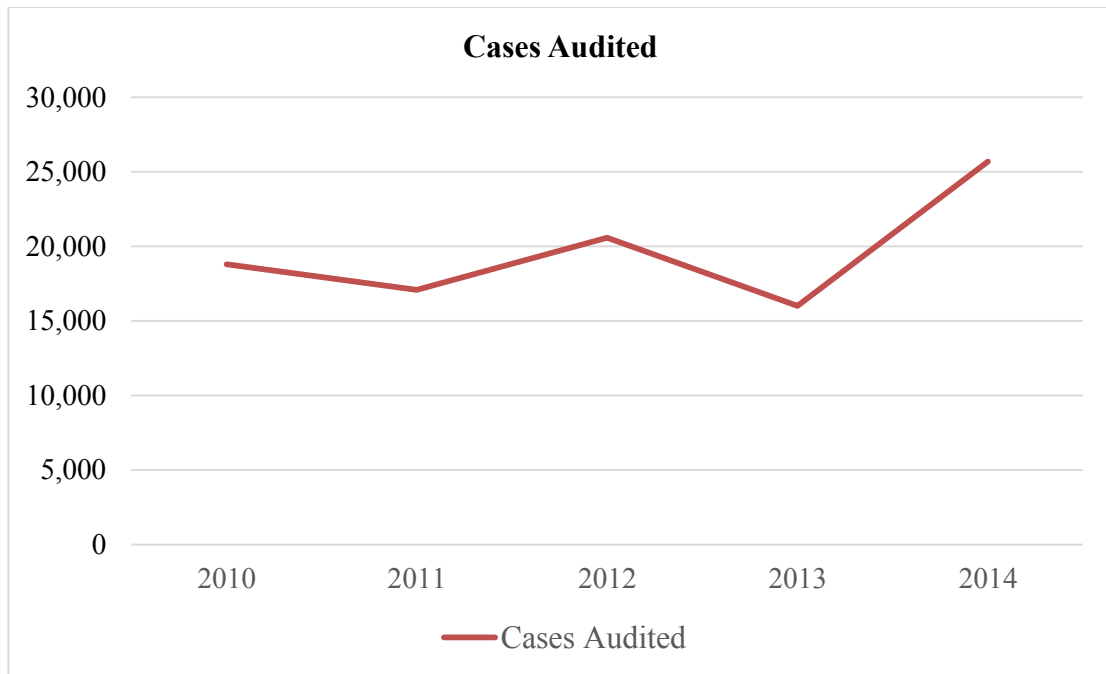


Figure 1.1
Cases Audited 2010-2014
 Source: Audited Reports: Inland Revenue Board Malaysia 2015

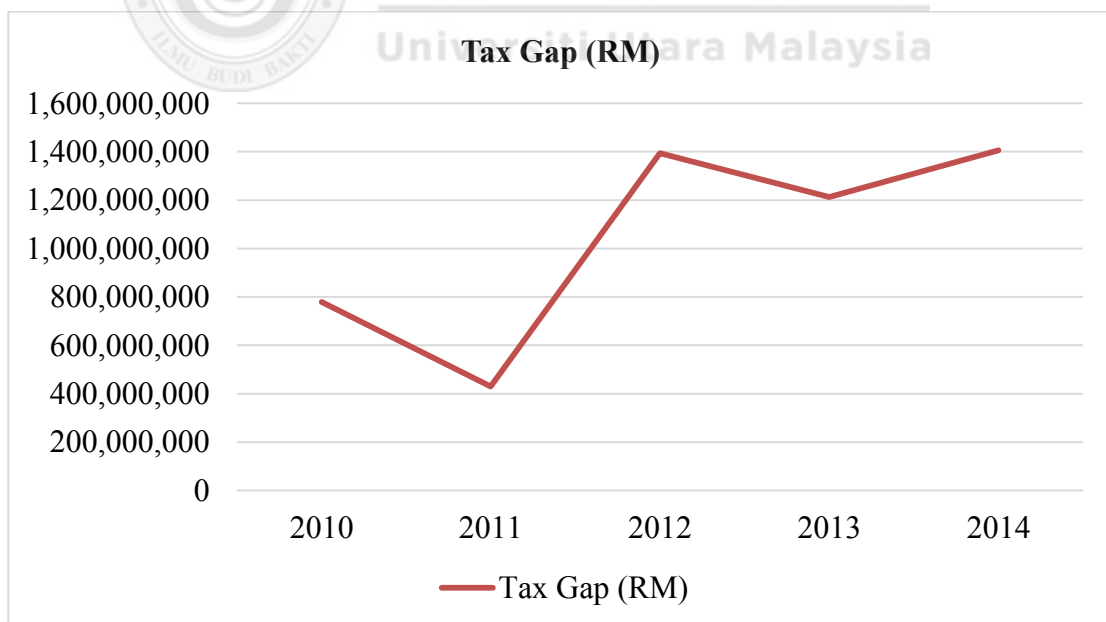


Figure 1.2
Tax Gap 2010-2014
 Source: Audited Reports: Inland Revenue Board Malaysia 2015

Figures 1.1 and 1.2 clearly indicate that the amount of audit cases is increasing year by year and the amount of tax gap is also becoming significantly higher every year. The Director of the IRBM's audit department mentioned that this data is the tax gap related to the returns filed by the tax professionals on behalf of corporate clients and audited. Figure 1.1 is evidence of an increase in the number of cases audited by the IRBM audit team, with incorrect tax amounts. In the year 2010, the number of audited cases was 18,814 which increased to 25,688 in the year 2014. Figure 1.2 depicts that in the year 2010, the tax gap was RM 778,525,869 and subsequently increased to RM1,405,455,410 in the year 2014. The amount of tax gap is a consequence of the incorrectly filed amount of corporate tax returns by tax professionals. All these statistics show the tax returns preparation errors made by tax professionals in Malaysia is increasing year by year.

Tax professionals significantly influence the compliance decisions of the clients (Andreoni, Erard & Feinstein, 1998). The tax errors made by tax professionals may look insignificant, but collectively, they make a huge impact on the tax amount received by the IRB, in case of the current study, the IRBM. Due to their knowledge and expertise, Tax professionals can devise strategies to reduce tax penalties. Tax professionals tend to adopt an aggressive tax position in unclear situations and act as law enforcer in a situation where the tax law is ambiguous (Hite, Hasseldine, Al-Khoury, James, Toms & Toumi, 2003; Klepper & Nagin, 1989; Spilker, Worsham & Prawitt, 1999). The importance of the services of tax professionals in tax collection warrants a the need to study tax professionals in order to know the potential factors that can influence tax

returns preparation errors made by tax professionals. Based on the above highlighted issue, this study attempts to determine the potential factors that can lead to tax returns preparation errors made by tax professionals.

1.2 Problem Statement

Corporate taxpayers hire a tax professional to ensure that the correct amount of tax payable is filed. Moreover, corporations want to avoid penalties imposed by the IRBM or any civil offence in case of breaching Malaysian tax law. Engaging a qualified professional is to ensure the compliance to corporate tax laws and to prepare tax returns according to the given standards of the IRBM. In case of non-compliance with corporate tax standards, corporate tax law and regulations given by the IRBM, corporate taxpayers have to pay penalties. In severe cases, when audit reports show an understatement of taxable amount and/or an over-claim of tax relief, the corporation can be jeopardise and strict legal action can be taken against the corporation.

Corporations expect that the experienced tax professional will help them to prepare the correct amount of tax in due course, to avoid any risk of penalties for non-compliance. In the Malaysian context, a large number of corporate taxpayers seek assistance from tax professionals to file their tax returns. Almost 95% (external tax professionals, 24.5%, internal and external tax professionals, 70.4%) of the companies engage tax professionals to file their tax returns. This shows that taxpayers are highly dependent on tax professionals (Sapiee et al., 2014, p.396).

Previous research on tax compliance has documented that taxpayers hire tax professionals to help them in tax matters due to their expertise (Hamid, 2014). Furthermore, Devos (2012) concluded that the complexity of the tax system, legal costs and fear of making errors, are major three reasons for hiring the tax professionals. Kirchler (2007) described that clients do not hire tax professionals to avoid paying taxes but to report the taxable amount correctly. For the taxpayers, tax professionals are hired to assist them in tax-related matters, such as risk management, fear of being audited, tax savings in terms of legal costs, submitting correct amount of tax payable and avoiding uncertainties of tax laws (Hite et al., 2003; Tan & Sawyer, 2003; Tan, 2006).

Accurately filing tax returns and avoiding tax penalties are two key reasons for hiring tax professionals to prepare tax returns. Mohd Isa (2012) supported that corporate taxpayers in Malaysia rely on tax professionals for tax returns preparation and tax planning. In Malaysia, corporate taxpayers are charged under section 112 (3) and section 113(2) for tax errors. Section 112 (3) is related to non-submission or incomplete form submitted by corporate taxpayers and section 113 (2) is on under-reporting of taxable income and over-claiming tax relief by corporate taxpayers.

Corporate tax filed by tax professionals is done using Form C. Tax professionals in Malaysia undergo extensive courses, exams and training sessions before getting a license from the IRBM to register as tax professionals. But the facts and figures of tax gaps and penalties imposed on corporate tax filed by tax professionals are alarming.

Table 1.2 shows the data related to tax cases and penalties imposed to on corporate taxpayers under section 112 (3). These statistics indicate the tax errors made by the tax professionals from the years 2009 to 2014. There were 21,139 cases charged under Section 112 (3) in the year 2009, and an amount of RM178,498,943 was imposed as tax penalty on corporate taxpayers. In the year 2010, there were 23,901 cases and a total of RM 213,857,483 was imposed on corporate taxpayers due to the negligence of tax professionals. Further, a total of 22,140, 23,124, 25,615 and 24,572 cases were charged in years 2011, 2012, 2013 and 2014, with tax penalties of RM177,129,869, RM152,302,258, RM170,357,123 and RM175,949,520 imposed on corporate taxpayers, respectively, as depicted in Table 1.2 and Figure 1.3.

Table 1.2
Penalties Imposed on Corporate Taxpayers under Section 112 (3) from Years 2009-2014

Year	Cases Charged Under S 112 (3)	Penalties (RM)
2009	21,139	178,498,943
2010	23,901	213,857,483
2011	22,140	177,129,869
2012	23,124	152,302,258
2013	25,615	170,357,123
2014	24,572	175,949,520

Source: Audited Reports: Inland Revenue Board Malaysia 2015

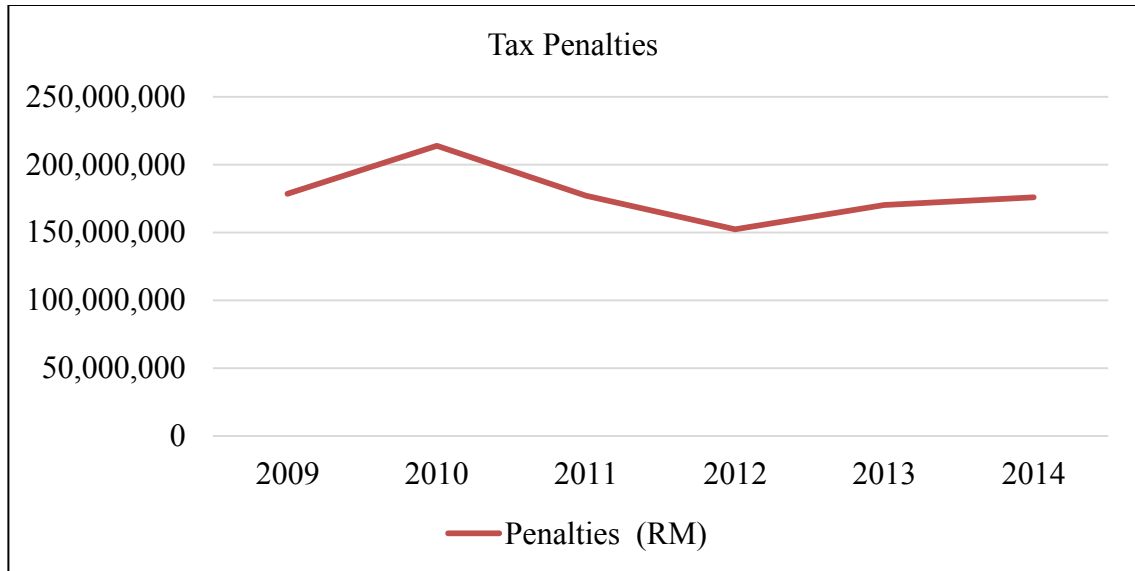


Figure 1.3

Tax Penalties Imposed on Corporate Taxpayers under Section 112 (3) during the years 2009-2014

Source: Audited Reports: Inland Revenue Board Malaysia 2015

Table 1.3 and Figure 1.4 show the data related to tax cases and penalties imposed on the corporate taxpayers under Section 113 (2), which indicate tax errors made by tax professionals from the years 2009 to 2014. Under-reporting of income and over-claiming of deduction affect the actual tax returns amount and penalties imposed under Section 113 (2). The statistics provided by the IRBM show that there were 8,923 cases charged under Section 113 (2) in the year 2009, and an amount of RM 156,866,015 was imposed as tax penalty on corporate taxpayers. In the year 2010, 6,949 cases were audited and RM 106,357,985 was imposed on corporate taxpayers due to the work of tax professionals. In addition, 7,810 , 5,923, 2,087 and 2,513 cases were charged under Section 113 (2) in years 2011, 2012, 2013 and 2014, with tax penalties of RM 97,540,533, RM 70,086,148, RM 341,007,599 and RM341,829,094, respectively, imposed as penalty on corporate taxpayers.

Table 1.3

Penalties Imposed on Corporate Taxpayers under Section 113 (2) from Years 2009-2014

Year	Cases Audited	Tax Penalties (RM)
2009	8,923	156,866,015
2010	6,949	106,357,985
2011	7,810	97,540,533
2012	5,934	70,086,148
2013	2,087	341,007,599
2014	2,513	341,829,094

Source: Audited Reports: Inland Revenue Board Malaysia 2015

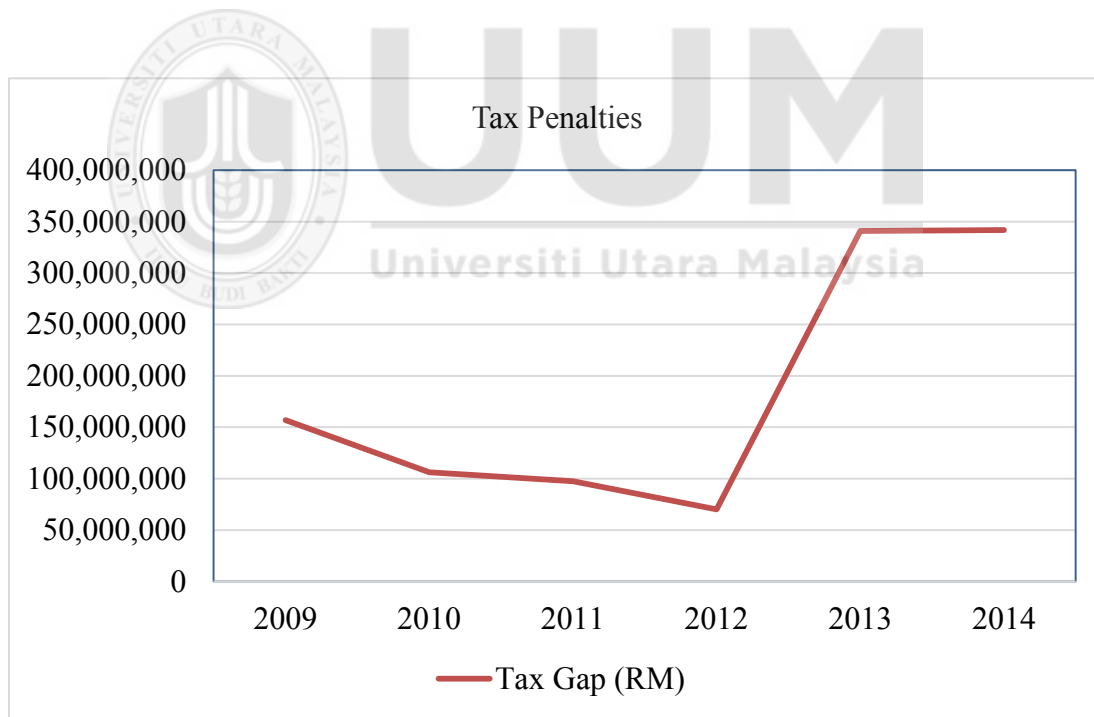


Figure 1.4

Tax Penalties Imposed on Corporate Taxpayers under Section 113(2) during the years 2009-2014

Source: Audited Reports: Inland Revenue Board Malaysia 2015

In the light of the statistics on tax returns preparation errors made by tax professionals as provided by the IRBM, it can be observed that tax returns preparation errors made by tax professionals has caused corporate taxpayers a heavy amount of tax penalty. These tax penalties are a financial loss to corporate taxpayers besides being also a reputational loss. The reputational loss can destroy their image among their clients. Nonetheless, it is unclear what actually triggers errors in income tax returns preparation. Whilst there are several references to tax returns preparation error rates, previous literature has yet to mention how tax returns preparation errors can be reduced (Simon, 2012). In this regard, Leiker (1998) mentioned that there is a need to conduct comprehensive research on tax returns preparation errors to strengthen the literature.

In the past literature, Simon (2012) identified that ethics or the lack of it could lead to tax returns preparation errors; he reported that lack of ethics can significantly impact on tax returns preparation. Moreover, Raskolnikov (2006) mentioned that ethics has a significant impact on tax returns preparation errors made by tax professionals and assists tax professionals to reduce tax returns preparation errors. In addition to that, Amarneh, Abu Al-Rub, & Abu Al-Rub (2010) and Abu Al-Rub (2004) reported that co-worker support has a significant impact on employees' job performance.

A review of literature has also identified that work engagement is a core motivational factor that increases involvement of the employees and enhances job performance (Christian, Garza, & Slaughter, 2011). Work engagement reflects the engagement of the employees, where high level of engagement makes work meaningful for employees.

This engagement brings feelings of self-fulfilment and inspiration to do the work which leads to superior job performance (Park & Gursoy, 2012). Furthermore, studies have reported perceived behavioural control as a predictor of job performance and supported that control over job task is necessary to improve performance level (Brager et al., 2004; Huang et al., 2004; Young Lee, 2006; Lee & Brand, 2005). Those who have more control over their job are more likely to perform better and achieve better job outcomes (Lee & Brand, 2005; Parker, Jimmieson, & Amiot, 2013; Veitch, Charles, Farley & Newsham, 2007; Yee, Yeung & Cheng, 2008). In addition Jessen (2010) documented that practitioners observe their level of performance through the eyes of their clients and expect recognition and gratitude for good performance. The recognition for performance is an as important aspect to enhance job performance as reported by Bradler, Dur, Neckermann and Non (2013) and Thompson and Milsome (2001). Working experience (McGuire, Omer, & Wang, 2012; Hamid, 2014) and ethnicity (Pitts & Jarry, 2007; Roth, Huffcutt, & Bobko, 2003) have also been found as supporting factors that impact job performance.

The above mentioned literature summarises the important factors that can affect tax returns preparation errors. In addition, none of the studies has empirically investigated the factors that can affect tax returns preparation errors made by tax professionals. To fill the practical and theoretical gaps, this study assesses the influence of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity of tax professionals on tax preparation errors. These

factors are proposed as having a significant influence on the tax returns preparation errors made by tax professionals in Malaysia.

1.3 Research Questions

The research question of this study assists the researcher to gain insights into tax professionals' perception of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity and their influence on income tax preparation errors. The answers to this research question can provide the corporate taxpayers with useful information regarding tax professionals' perception related to ethical practices while filing tax returns on behalf of a taxpayer.

The following research question is posed for this study:

Do ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity of tax professional influence tax preparation errors made by tax professionals?

1.4 Research Objective

The current research has the following research objective:

To examine the influence of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity of tax professionals on tax preparation errors made by tax professionals.

1.5 Definition of Important Terms

The following subsections define the terms used in this study: ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, tax professional and tax preparation errors.

1.5.1 Ethics

In the context of the current study, the definition by Finn, Chonko and Hunt (1988) and Cavico and Mujtaba (2009) is applied, where the ethical behaviour of tax professionals is demonstrated through their meticulous and cautious behaviour which restrains them from being involved in unethical behaviour due to their own perception of ethics.

1.5.2 Co-Worker Support

In the context of the current study, co-worker support is based on the concepts of Caplan, Cobb, French, Harrison and Pinneau (1975); Ensher, Thomas and Murphy (2001); and Morgeson and Humphrey (2006). Co-worker support is support provided by tax professionals to their fellow workers in terms of resources, mentoring and friendliness or positive support when co-workers need assistance in the tax returns preparation process.

1.5.3 Work Engagement

In this study, the definition by Sonnentag, Dormann and Demerouti (2010); and Schaufeli (2013) is used and it refers to the engagement, dedication, vigour and absorption of the tax professionals towards their tax returns preparation.

1.5.4 Perceived Behavioural Control

In this study, the definition of Hamid (2014) is used to conceptualise perceived behavioural control (PBC) of tax professionals, in which PBC refers to the ability of tax professionals to exercise control in tax returns preparation in a morally, socially and legally acceptable manner.

1.5.5 Self-Recognition

In this context, the definition of Chaudhry, Javed and Sabir (2012) is used, in which the self-recognition of the tax professionals' work refers to the appreciation of the tax professionals' work by their clients. This self-recognition element thus acts as a motivational factor that can help to reduce tax preparation errors.

1.5.6 Tax Professional

A tax professional is one who assists clients in fulfilling their tax responsibilities or any person approved by the Ministry of Finance on the recommendation of the Director General of the IRBM to assist taxpayers in tax returns preparation (Hamid, 2014). A tax professional shall always adhere to the principles of integrity, competency and professional advice in discharging his or her duties.

1.5.7 Tax Preparation Errors

In the current study, the definition of Beavers (2008) is used in which tax errors refer to the errors that result in misstatements and omissions in tax returns, reflecting an overstatement of refunds and understatement of tax liabilities by tax professionals

during tax returns preparation. The current research includes incomplete forms, understatement of taxable income and overstatement of tax relief in tax returns preparation based on the definition given by an IRBM officer.

1.6 Significance of the Study

The significance of the study is explained in three sections: theoretical, practical and methodological significance.

1.6.1 Theoretical Significance

Although tax professionals are an essential part of the tax system all over the world, studies that have focused on the ethical sensitivity of tax professionals remain scarce as compared to studies conducted on other factors that affect tax compliance (Tan, 2006). Perhaps, the number of studies on tax professionals may grow over a period of time. Tan and Sawyer (2003) reviewed the studies on taxation and found that very few published studies are available on ethical sensitivity and decision-making of tax professionals.

The current study is among the few studies which takes into account tax professionals in taxation research. For example, Lai and Choong (2009) investigated how tax professionals perceive tax compliance in the SAS environment. Lai and Choong (2010) and Abdul Aziz and Md. Idris (2012) examined the perception of Malaysian tax professionals on the use of the electronic tax filing system in Malaysia. The concept of ethical decision-making by tax professionals has still not been widely explored and discussed in the context of Malaysian tax professionals. Previous research studies on tax

professionals have mostly been centred on Western countries, with limited application to other countries. As mentioned by Richardson and Sawyer (2001), other countries outside the USA should be cautious while interpreting the findings of studies conducted in the USA. The current research examines the issue of tax returns preparation errors from the perspective of Malaysian tax professionals, which has been focused on by very few studies previously.

It is generally considered that ethics, motivational factors and personal factors can impact on the performance of professionals. This study adds related factors, such as ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity of a tax professional, after reviewing the previous literature on performance of tax professionals. These factors are expected to influence tax returns preparation errors made by tax professionals and also may help in reducing the mistakes/errors while preparing tax returns.

This research extends the use of the Herzberg two-factor theory, theory of reinforcement and theory of ethics. It also attempts to extend the existing literature in the field of tax returns preparation errors. This study is significant because it empirically examines the phenomenon of tax professionals' tax returns preparation errors that has been discussed minimally by other studies. The current research attempts to extend the literature related to the performance of tax professionals and those factors, such as ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working

experience and ethnicity of tax professionals, that can affect the tendency of tax professionals to make errors whilst preparing tax returns for their clients in Malaysia.

1.6.2 Practical Significance

This study highlights the main contributor to corporate tax returns preparation errors, i.e., the tax professionals. The current study highlights the phenomenon of tax gap which is not solely the contribution of the taxpayers but also the tax professionals who prepare tax returns for the corporate clients. It will be a guide to the possible measures to reduce tax professionals' errors. The results of this study can be used as a source of reference by tax professionals, corporate taxpayers and the IRBM in their efforts to improve tax returns preparation work and minimise tax returns preparation errors made by tax professionals. By doing so, there is a possibility that the tax gap might be reduced that in turn, will increase the amount of tax collected by the IRBM. Less errors in tax returns can help tax professionals and corporate taxpayers to save their reputational loss, penalties from IRBM and legal action against tax professionals and corporate taxpayers in case of errors in tax returns.

The results of the study can be helpful for tax professionals to help them in reducing tax returns preparation errors by getting support from their co-workers while preparing tax returns. They can consult their co-workers in the case of any ambiguity about tax returns rules and regulations. Meanwhile, the results can be helpful to the IRBM to prepare a guide for the tax professionals to avoid the tax returns preparation errors. The IRBM can arrange seminars to guide them on ethical and legal aspects and also help tax

professionals in their ethical and moral character building. The results of the current study can be helpful for the corporate taxpayers, tax professionals and the IRBM.

The results can direct the attention of corporate taxpayers towards tax returns prepared by tax professionals. The wrongly filed tax returns can lead to legal action taken against corporate taxpayers as per the rules of the IRBM. On the other hand, the IRBM can also use the results to formulate policies to encourage, motivate and pressurise the tax professionals to prepare proper and error-free tax returns for their corporate clients. Well prepared tax returns can help the IRBM to collect the right amount of tax on time. The right amount collected by the IRBM will ultimately expand the spending power of the government for the well-being of the citizens.

Based on this study, it is also hoped that tax professionals can prepare tax returns as per guidelines given by the IRBM. This study can be helpful to the IRBM in preparing strategies to provide tax professionals a conducive environment, in terms of extensive training that can help them to work more accurately and diligently. This can help tax professionals to reduce the tax returns preparation errors to a significant level, which can ultimately increase the revenue of the IRBM and the government of Malaysia.

1.6.3 Methodological Significance

This study is among the few studies that uses the quantitative inquiry method to assess the factors that have an influence on tax returns preparation errors, as the previous research on tax returns preparation errors by Simon (2012) is qualitative in nature. The

study of Simon (2012) focuses only on the ethical perspectives that can help tax professionals to prepare error-free tax returns for their clients. The current study is empirical in nature and determines the effect of ethics, human behaviour and psychological factors on the tax errors made by tax professionals.

1.7 Scope of Study

In this study, tax professionals in Malaysia who have at least one year experience in preparing Income Tax Returns Form C for their corporate clients are selected as the sample. This study used the data of 361 tax professionals from all states of Malaysia. This research only collected data from tax professionals registered with the IRBM as certified tax professionals. Before tax professionals are granted the license to operate as a tax professional, they have to fulfil the academic qualifications and minimum working experience in the taxation field as required by the IRBM (Hamid, 2014). This is to ensure that the tax professionals are competent in delivering their professional duties (LHDN, 2010). This study only discusses empirically ethics, human behaviour and personal factors that have a significant influence on the tax errors made by tax professionals.

1.8 Chapter Summary

This chapter discusses the issue of tax gap in tax returns prepared by tax professionals using statistical data. The statistics show that there is a huge gap between actual tax amount and amount stated in tax returns prepared by tax professionals. The problem statement is presented in detail with the help of facts and figures and previous literature.

The statistical data on tax returns errors show a significant number of cases reported due to corporate tax returns preparation errors made by tax professionals in the process of corporate tax returns preparation. The research question and research objective are formulated to address the issue of tax returns preparation error. This study proposes the influence of various psychological and human behaviour factors that can potentially influence the tendency of tax preparation errors among tax professionals in Malaysia. The operational definitions, the significance of the study and contribution of the study are discussed in detail. The last part presents chapter summary. The following chapter reviews the literature on the constructs of the study along with explanation on corporate tax system and the role of tax professionals in Malaysia. The framework of the current research is explained under Herzberg's two-factor theory and theory of ethics. In addition, prior studies on ethics, co-worker support, work engagement, perceived behavioural control, self recognition, work experience and ethnicity, are reviewed to develop the hypotheses of the current study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the literature relevant to the dependent and independent variables of interest to this study. The first section presents the corporate tax system in Malaysia. The next section discusses the theoretical foundation for this study, namely Herzberg's two factor theory, which is the underpinning theory for this study, and two other supporting theories, namely the theory of reinforcement and the theory of ethics. The hypotheses have been formulated on the basis of the discussion of previous literature and a theoretical framework presented for the proposed relationships. This chapter ends with the chapter summary.

2.1 Corporate Tax System in Malaysia

Malaysian tax assessment system is based on a self-assessment system (SAS). The system came into effect in the year 2001 replacing the previous official assessment system in calculating, submitting and remitting the tax payments. Despite the arguments of high compliance cost borne by the taxpayers, the system is found effective in encouraging taxpayer compliance and in reducing the tax authority's assessment tasks (Isa & Pope, 2011; Hanefah, Ariff & Kasipillai, 2002; Mansor, Saad & Ibrahim, 2004).

With the implementation of SAS, the role of IRBM is to conduct tax audits on taxpayers. The purpose of a tax audit is to examine taxpayers' tax returns by verifying

their financial records and business source documents in order to ensure that taxpayers reported correct tax liability and paid according to tax laws and regulations. The objective of tax audit under SAS is to encourage voluntary compliance with tax laws in achieving a higher tax compliance rate and to educate taxpayers toward fulfilling their responsibilities in the process of nation building (IRBM, 2015)

In SAS, every taxpayer should declare his or her earned income and other incomes derived within Malaysia. The corporate taxpayer is responsible for computing the company's income tax, declaring income and expenses including deductions, rebates and submitting the Income Tax Return Form (ITRF) within 7 months after the closing of the accounting period. Although the taxpayer is not required to submit supporting document when filling ITRF, the taxpayer has the obligation to keep their business records for 5 years, for tax audit purpose (IRBM, 2015).

The process of tax audit begins with a 14 days notification given to the selected taxpayers to prepare the documents required in the tax audit process. Then, IRBM officers examine the business records, non-business records and other relevant material to verify the claims made by taxpayers. The time period of two to three days is required for tax audit and on-site examination of records. But the time frame can be extended depending on the business size, complexity of business, level of taxpayer's cooperation and form of bookkeeping (IRBM, 2015).

After the examination of business records, the IRBM officers conclude the audit by preparing audit findings approved by the Branch Audit Manager. The audit issues raised in the audit findings, reasons and rationale for the issues raised and the amount of proposed tax adjustment will be sent to the taxpayer upon approval. The taxpayer can give his views and justifications in regard to the findings. The taxpayer is also allowed to file an official objection within 14 days in case of dissatisfaction on the audit made, with all other material information and evidence in favour of proposed adjustment. A notice indicating the penalties and taxes imposed will be sent to the taxpayer if he agrees with the proposed tax adjustment in the final report. Tax audit should be completed in three months from the date of commencement (IRBM, 2015).

If IRBM finds that a taxpayer fails to furnish ITRF without a reasonable excuse, the taxpayer will be charged under S112 of ITA with a penalty of RM200 to RM2000 or /and imprisonment. In a situation when the business records of the taxpayer do not support the tax computation and the taxpayer fails to justify the discrepancy, a penalty will be imposed under S113(2) of the ITA in which the penalty rate is equal to the amount of tax undercharged (100%) accordingly (Tan, 2008).

Section 112 is an offence that is committed by a company under S77A (1) which pertains to the failure to furnish a return by a corporate taxpayer. A Corporate taxpayer is liable to a fine between RM 200 to RM 2,000 or not more than 6 months imprisonment or both. Where no prosecution is made, the Director General may require a taxpayer to pay a penalty of up to thrice the amount of tax (Act, 1967).

As per the Act (1967), section 113 reads as „where a person makes an incorrect return by omitting or understating any income; or gives any incorrect information in relation to any matter affecting his own chargeability to tax, is liable to a fine between RM 1,000 to RM 10,000 together with a special penalty of up to 200% of the amount of tax which has been understated. Where no prosecution is made, the Director General may require a taxpayer to pay a penalty equal to the amount of tax which has been understated (for incorrect return by omitting or understating, or incorrect information on the chargeability).

2.2 Role of tax professionals in the Malaysian Tax system

Tax professionals have an important role in the tax system, where they have a significant influence on the compliance behaviour of the taxpayer (Andreoni et al., 1998). According to section 153(3) of the Income Tax Act 1967, later amended in 2006, the term “tax agents” is for those professionals who are approved by the Ministry of Finance to assist citizens (Thiagarajah, 2012).

The role of a tax professional is also important in the context of Malaysia. Income Tax Act 1967, assigns important roles and responsibilities to tax professionals as advocates for their clients. Other roles of tax professionals are defined in the Act (1967), such as advising clients on maintaining proper records and assisting clients in completing the tax returns. It is also the role of tax professionals to advice clients to pay the due amount as per law and attend the audit proceedings in case their clients are audited. Moreover, it is the responsibility of tax professionals to attend if any investigation is held against their

clients and participate in the interviews by auditors. Finally, the tax professionals are required to participate in the negotiation and proceedings of audit, filing appeals in court and attend court hearings on the cases of their clients (Act, 1967).

Every year, corporates engage tax professionals and tax agencies in preparing tax returns (Sapiei et al., 2014). According to Accounting Services Hub (2017) engaging corporate tax service professionals is essential to ensure compliance with corporate tax law and especially so in an environment of evolving tax requirements and regulations.

The earlier discussion on the role of tax professionals suggested that tax professionals are being engaged by clients to take responsibility for tax matters. The clients are often concerned on how much tax can be saved using the expertise of the tax professionals. Tax professional on the other hand try hard to minimise the tax amount payable to tax authorities by their clients. In this process, tax professionals must keep in mind the obligations of the tax authority, their firm, the accounting profession and general public benefits. They should not take aggressive tax positions on behalf of their clients (Accounting Services Hub, 2017).

In Malaysia, tax professionals are required to abide by the “code of ethics” established by IRBM. They are subject to act based on the four principles of integrity, accountability, transparency and social responsibility. In carrying out his or her duty, a tax professional is required to abide and behave as per the code of ethics provided by IRBM. A tax professional needs to be duly professional and fully conversant with tax

laws and acceptable practices. Also, as a tax professional, they not only need to be transparent and trustworthy but they also need to act with integrity. The tax professional needs to fully cooperate when dealing with taxpayer and the IRBM (Act, 1967).

The role of tax professionals is very important for their clients for determining the boundaries defined by tax law authorities. Tax professionals assist their clients whenever the clients are in a confused situation, as in the case when evasion of tax is illegal but tax avoidance is considered not illegal but a form of tax planning (Hamid, 2014). In addition, the tax professional is also expected to refrain from abusing his position for his advantage. Lastly, a tax professional need to provide complete and accurate feedback relating to the progress of an investigation and advice the taxpayer correctly based on the true facts of the case under investigation.

2.3 Theories

The proposed theoretical framework serving as a foundation for this study is drawn from Herzberg's two-factor theory, the theory of reinforcement and the theory of ethics.

2.3.1 Herzberg's two-factor theory

The current study uses Herzberg's two-factor theory as its main theory to support the proposed relationships. The detailed overview of Herzberg's two-factor theory is as given below.

Among other theories the Herzberg's Motivation-Hygiene theory, also called Two Factor Theory is considered to be one of the traditionally and widely used to explain the factors that increase satisfaction among employees and increase individual performance. According to studies, the psychologist Frederick Herzberg determined factors in employee's work environment that caused his or her dissatisfaction or satisfaction. These factors act independently on each other and are related to Maslow's theory of motivation (Dartey-Baah & Amoako, 2011).

In general, the factors causing satisfaction are mainly achievement, responsibility, recognition, growth, advancement and the work itself. They can be also called motivators. On the other hand, the factors leading to dissatisfaction concern supervision, salary, work conditions, company policy and relationships with leaders and co-workers. Together with job security and fringe benefits they can be called as hygiene factors (Islam & Ali, 2013). To bring productivity to the best level, it is necessary to make sure that the hygiene factors are fulfilled. Motivation factors mentioned above are needed to motivate employees to better performance.

The current study uses the two-factor theory proposed by Frederick Herzberg in 1959. According to Herzberg, the motivators can be considered as job turn-ons. They play an essential role in contributing to substantial enhancements in work performance and move employees to higher performance (Cacanas, 2005). In the current study personal factors such as work engagement and recognition serves as motivational factors that significantly influence the tax return preparation process and tax preparation errors.

Islam and Ali (2013) found a strong correlation between highest job satisfaction and with the Hygiene variable of “relation with co-workers”, and as for the motivation factors, the variables of “achievement” and “work itself” which is defined as work engagement in the current study.

The intrinsic motivators, known as the job content factors, define things that the people actually do in their work; their responsibility and achievements. These factors are the ones that can contribute a great deal to the level of job satisfaction an employee feels at work. The job context factors, on the other hand, are the extrinsic factors that someone as an employee does not have much control over; they relate more to the environment in which people work than to the nature of the work itself (Schermerhorn, Hunt & Osborn, 2003). Moreover, in exploring job characteristics, we find that managers exhibit high levels of satisfaction with the variety and challenge of the job and the high degree of control they have over decisions (Parsons & Broadbridge, 2006).

Motivators were associated with long-term positive effects in job performance while the hygiene factors consistently produced only short-term changes in job attitudes and performance, which quickly fell back to its previous level (Herzberg, Mausnek & Snyderbman, 1959). According to Story, Hart, Stasson and Mahoney (2009), individuals with high motivation seem to prefer challenging cognitive tasks and can self-regulate their behaviours. For employees high with motivation, emphasis could be placed on the engaging nature of the task and encouragement of self-set goals and deadlines.

In the present study, hygiene factor which is co-workers support and factors such as self-recognition, work engagement and perceived behavioural control are proposed to act as motivation factors that have influence on the tax return preparation errors. It is argued that if the work of a tax professional is recognised by his or her client, this recognition will bring positive impact on job performance of the tax professional. This change in the recognition level will motivate the employee to work more efficiently and make less errors during tax return preparation process. Moreover, work engagement will bring vigour and dedication in tax return preparation work. This vigour and dedication will help the tax professional to prepare error free tax returns. Co-worker support in terms of the support from the peers/ tax professionals can serve as a significant influencer that can reduce the tendency of error in tax return preparation. In addition the control element, i.e the high degree of control they have over decisions, served as the most important factor that influence the tax return preparation work. It can be argued that if a tax professional has control over his tax return preparation work, the chances for errors will be minimised. Therefore, the current study applies the two-factor theory by Herzberg to support the framework of the current study.

2.3.2 Supporting Theory

The following section presents the supporting theory which is the theory of ethics. This theory provides support for the role of ethics in tax return preparation by tax professionals.

2.3.2.1 Theory of Ethics

The ethics theory refers to the moral virtues of the tax return preparers to conduct his responsibilities under the terms of socially acceptable actions. Adams (2009) explained that ethics promote the exercise of moral values in the business environment and that tax professionals are expected to exercise character traits that enhances the tax preparation process. Ethical behaviours exhibited by tax professionals grow from sound character of providing a quality service as an advisor and to perform with maturity, carefulness, knowledge, and caution when filing tax returns on behalf of their corporate clients. Adams (2009) further pointed out that ethics emphasise the credibility of tax preparers as reflected in their practice and the probability that tax professional professionals will live up to the expectations of taxpayers and IRBM.

Whetham (2008) explained that as there is no objective standard by which to judge acts and credibility, it gives tax professional the perception of being competent. Credibility stemming from education and training, which leads to ethical behaviour, may be a more compelling argument for upholding standards and providing of quality service in the tax preparation process. This theory supports the notion that tax preparers' ethical behaviour refrain them from being involved in unethical tax practices. In the words of Altham (2002), work ethics can bring desired performance level of employees' job performance. Previous literature (i.e Mann, 2010; Rokhman, 2010; Meriac, 2012; Linz & Chu, 2012) have shown that strong work ethics contribute to good job performance while poor or low performance result from weak or negligence of work ethics.

Moreover, work ethics guide individual behaviour and judgement as to what is right and wrong (Zahrah, Hamid, Rani, & Kamil, 2015).

It can be inferred that being ethical is more important for a job such as tax return preparation. The ethical behaviour of the tax professional is what can lead to error free tax returns. Under the light of the theory of ethics, this current study takes the position that ethical sensitivity of the tax professionals can assist prepare error free tax returns.

2.4 Review of earlier studies and Hypotheses Development

Although many scholars have conducted studies on tax related issues (Soled & Goodman, 2010; Stephenson, 2007), few have examined the primary concern on how to reduce tax professionals' errors (Hite et al., 2003). Although most of the studies have studied the issues from various perspectives, the issue concerning the reduction of tax professionals' errors was only briefly mentioned in past studies.

2.4.1 Tax Preparation Errors

Taxpayers are aware of the possibilities that tax professionals may make mistakes in the process of tax preparation. Similarly, tax professionals are unable to guarantee the accuracy of tax returns prepared for corporate clients. Stephenson (2007) explained that selection of tax professional by taxpayers is mainly based on the idea that tax professionals possess relevant knowledge and skills to prepare tax returns. Moreover tax professional may be able to reduce tax liabilities and increase the reimbursement of

taxes. Hite and Hasseldine (2003) found that there is chance for errors by tax professionals while preparing tax return on behalf of clients.

According to Torgler (2003), tax professionals play a crucial role in tax compliance by advising the clients of their tax matters and preparing tax return on behalf of clients. This is because, as a third party, a tax professional bridges the gap between taxpayers and tax collection departments (IRBM in case of Malaysia) and facilitate both parties in tax matters (Torgler, 2003). Beavers (2008) pointed out that tax preparation errors fall into two categories: errors which are human (misinterpreting tax laws) and those that are wilful and reckless (deliberate). Both categories of tax preparation errors result in misstatements and/or omissions of tax returns reflecting an overstatement of refunds and understatement of tax liabilities. Both categories reflect tax preparation errors that is unacceptable by the tax collection department (i.e. Internal Revenue Service (IRS) or IRBM in Malaysia).

Tax preparation errors that are of significant level results in explanation and justification to relevant authorities while low impact errors maybe overlooked (Torgler, 2003). A monitoring system, if rightly implemented in tax return preparation process might significantly reduce errors those are result of misinterpretation of tax laws and procedures (Soled, 2010). Raskolnikov (2006) suggested that to reduce deliberate errors, tax professionals must comply with the rules and regulations imposed by tax authorities (i.e. IRS or IRBM in Malaysia). Understanding of tax professionals on IRBM rules and regulations can be assesed by few factors which includes meeting the deadlines and

reporting accurate taxable payment owed to IRBM among others. Moreover, having proper documentation, possessing relevant tax knowledge and declaring the income ensures that rules and regulations have been followed by the tax professional (Hamid, 2014). Furthermore, Hamid (2014) that specialists with distinct capabilities and relevant tax knowledge are required to assess the tax preparation errors made by tax professionals.

Tax errors are crucial in nature and therefore they need to be corrected by acceptable practices. In this regards, Akhter, Islam and Uddin (2009); Doyle, Hughes and Glaister (2009) highlighted the need for building specific tax practices that should be based on attitude, values and norms. These practices should be widely accepted by the society and tax returns work should be a reflection of these practices that are equally acceptable and applicable. In many cases, tax professionals engage in unacceptable tax activities that bring large refund or reduction in tax liabilities for taxpayers. Some professionals take advantage of loopholes in the tax system or commit unintentional or intentional errors in the tax return preparation to satisfy their clients. These kind of activities bring tax refunds and reduce the taxable amount for taxpayers. These errors upon detection bring severe consequences for taxpayers (Aaronson, 2005).

According to Torgler (2003), with the introduction of SAS, it is anticipated that a large proportion of taxpayers, particularly the business community, would not complete their own returns, but get a tax professional to complete the returns on their behalf which will result in higher compliance costs. Tax preparation error is of significant importance in

tax return preparation process but it is unclear what actually triggers errors in tax return preparation since there are few studies conducted over tax return preparation errors made by tax professionals. Whilst the literature on tax preparation errors rates are evident (Doran, 2009; Simon, 2012; Hamid, 2014), the issues on the reduction of tax preparation errors were only vaguely covered.

Based on the above it can be inferred that there is lack of published material available on tax preparation errors made by tax professionals. In the current study the proposed concept of tax preparation error is different from tax non-compliance. In tax non-compliance, it is the taxpayer who does not comply with tax law and presents incorrect information to IRBM. While in the case of tax preparation error, the tax returns prepared by tax professionals contain misstatement, overstatement or incomplete filing of tax returns on behalf of their corporate clients. This notion is supported by Cuccia (1994), in which “tax non-compliance occurs when there is a failure to perform a timely filing or submission by taxpayers of all required tax return”. Based on Cuccia’s (1994) definition, this study position that tax preparation errors are those which occur due to failure of tax professionals in submitting complete and accurate records to IRBM on behalf of the corporate clients. This tax returns preparation error made by tax professionals include non-filing of tax returns, incomplete filing of tax returns, understating taxable income and over claiming tax reliefs while preparing tax returns on behalf of corporate tax payers. The review of research literature for the present study focuses on the possible effects of ethics, co-workers’ support, work engagement, perceived behavioural control,

self-recognition, working experience and ethnicity on tax preparation errors. The section below discusses the influence of these factors on tax preparation errors.

2.4.2 Ethics

Ethics are a pre-defined set of moral conduct that help to differentiate between what is right and wrong. Ethics also referred to as what we ought to do and what we should do in certain situations. From the perspective of taxation, ethics comprises of the judgement of actions, either an action is right or wrong. It is suggested that good tax ethics can be helpful in increasing the tax compliance (Singh, 2003). Alm and Torgler (2011) are of the view that level of ethics and compliance varies from individual to individual, and the decision making by individuals is based on the level of ethics they possessed. In the case of individuals with high level of ethics, the decision will be to comply, on the other hand a low level of ethics can lead to low compliance with the code of conduct.

Among the researchers who defined ethics in professional life, Doyle et al. (2009) refer „ethics“ to what an individual should do or should not do in a particular situation. Doyle et al. (2009) further explained that the concept of ethics is not confined to the principle of what an individual should do in a tax system but to question themselves, “is there any possibility of being challenged by tax authorities?”. This concept is in line with the concept put forward by Crane and Matten (2007), where ethics has been described as morality. Moreover, Crane and Matten (2007) used the words ethics and morality interchangeably and highlighted that ethics is to question oneself whether the actions or a particular action in one’s professional work is right or wrong.

Ethical behaviour is not just a matter of acting in a manner permitted by law. Realisation of ethical practices is a critical component of initiatives designed to encourage ethical behaviour in professional conduct of an individual or business. Similarly, for tax professional's ethics to be equally acceptable by both the clients and tax authorities, the tax professional needs to be equipped with necessary ethical standard to prepare tax returns for their clients. Howieson (2005) mentions that when an accountant is to prepare a tax return on behalf of his or her clients, professional ethics requires the tax professional to prepare a tax return with the same competence and quality as used for other clients and in accordance to taxation law. Furthermore, Dessler (1983) suggests that work performance is a measure of how well an employee meets the standards that are required on a specific job. Work performance is the quality and quantity of human output necessary to meet work goals agreed upon between employees and their managers (Ivancevich & Matteson, 1996). To guarantee job performance, employees must display a high sense of responsibility, integrity, discipline and quality of their work (Osibanjo, Akinbode, Falola & Oludayo, 2015).

Adam (2009) states that ethics impose moral values on tax professionals and target the character traits which can improve the process of tax return preparation. Ethical behaviour should exhibit a sound character and it should be reflected in the tax return preparation process and while advising clients. Ethics emphasises that the credibility of tax professionals should be reflected in the practices of tax professionals (Adam, 2009). Crane and Matten (2007) described ethics as moral principles or values of an individual that can influence the tendency of making the right or wrong decision in a given

situation. So there is no objective standard to evaluate the credibility of the what is right and wrong acts, though the tax professional are responsible for tax positions. Tax professionals hold the autonomy of their clients as they are the representatives of their clients at the tax department and courts. A true tax professional always follows ethical standards with the sense of doing good, which includes the respect of their clients' autonomy.

The Code of Ethics for Tax Agents published by the IRBM states that "since tax agents represent their clients, they have to provide the best possible services to their clients". Moreover, they should safeguard the interest of their clients in a legal way without compromising the interest of the government and country. They have to support the interest of country while supporting their clients' interest (LHDN, 2012).

In spite of the increasing awareness of the ethical perspective in tax practices, very little empirical research in this area has been conducted in Malaysia (Hamid, 2014). The dearth of such research means that little is known about the factors that could impact tax professionals' ethics-related decision-making. Researchers such as West and Clevenger (1995) and Rest (1986) suggest that these gaps to be further researched. Moreover, Rest (1986) stated that among the factors that affect ethical decision making, existence of ethical sensitivity is an important factor that can help the individuals to recognise and understand the moral issues while making a decision.

In past literature, ethical behaviour is not only acting in a way permitted by law but it must be built on specific acceptable practices. Professionals should follow ethics in the daily work parties (Doyle et al., 2009; Akhter et al., 2009). Raskolnikov (2006) mentions that ethics is a key factor that impacts on tax preparation errors. He also says that tax preparers can avert tax errors with the help of ethics, since ethics is likely to reduce tax preparation errors. Establishing ethical guidelines can ensure that judgments, responsibilities, and obligations are geared towards preparing error-free tax returns. Moreover, Simon (2012) documented that the tax preparation process allows the determination of the potential influence of the tax profession's ethical standards on the tax preparers and ethics can significantly influence tax preparation errors made by tax professionals during tax preparation process. In the light of research literature cited and the discussion above, this study argues that ethical sensitivity of the tax professionals can directly influence their decision making on the tax issue. Those tax professionals who possess high level of ethics might make less errors in tax returns prepared for their corporate clients. Thus, in light of the above, the ethics of the tax professionals will restrain them to engage in any activity or action that can be wrong or bring severe consequence to their clients. It can be argued that ethics will have a significant influence on tax preparation errors. To test the above statement, the following hypothesis has been formulated:

H1: Ethics has an influence on tax preparation errors made by tax professionals.

2.4.3 Co-worker Support

Co-worker support refers to the supporting of each other's tasks at the time of need through knowledge and expertise (Zhou & George, 2001). Jungert (2012) explains that co-worker support enhances the perception of being competent at a job among the employees and enhances work performance. Moreover, social support from co-workers positively influences job performance. Individuals who have more co-workers support tend to perform better than with less support (Amarneh, Abu Al-Rub, & Abu Al-Rub, 2010). In this study, the tax return preparation is used as performance of the tax professionals. Thus when tax professionals commit more error it will be considered as poor performance.

Most studies related to social support in the workplace specifically focused on the support of a supervisor. The study of Hodson (1997) argued that social support in the workplace is significantly associated with productivity. The support of co-worker is significant in providing desired support to the employee when they need help and assistance to accomplish their assigned tasks. The presence of co-worker support act as a relief factor for the employees and they feel more confident because of the support available to them (Kaul & Lakey, 2003). Co-worker support is the belief of a fellow worker that he/she will be helped in time of need and therefore feel safer and perform their jobs effectively (Susskind, Kacmar & Borchgrevink, 2003). Support of co-workers is of utmost importance as employees are not only supported in performing their jobs but it indirectly can boost their moral (Xanthopoulou, Bakker, Demerouti & Schaufeli, 2007).

In this aspect, Lindorff (2001) is of the view that co-worker support ought to be investigated as a chief concern in work places where employees have lower level of performance. If an organisation enhances its level of co-worker support, the organisation will likely experience enhanced individual but overall organisational performance (Joiner, 2007).

Over time, the relationship between employees' performance and co-worker support becomes an important aspect of job performance. As a consequence, there are possibilities that employees in the workplace are influenced by co-workers and boost their performance (LePine & Van Dyne, 2001; Jackson & LePine, 2003; Umphress, Labianca, Brass, Kass & Scholten, 2003). There is motivational potential in co-workers support and thus the feelings, absorption, vigour and dedication of employees are enhanced (Bakker & Demerouti, 2008).

The support of co-worker is the willingness of helping one another through caring behaviour, empathy, warm relations, appreciation, cooperation, support and respect (Beehr & McGrath, 1992; Fu & Shaffer, 2001; Ismail, Doostdar & Harun, 2012). The study by Mesmer-Magnus and Viswesvaran (2009) added that the work structure and the demand on one another is understood by peers and hence, the causes of stress to co-worker are best known by fellow co-workers. Through the help of co-workers the identification of the right way to perform a task enhances the work performance. In case

of tax return preparation, identification of common issues by co-workers can clarify ambiguous issues and can be a source of correct tax returns.

In reviewing the research literature, it is found that very few studies have focused on the effect of co-worker support on job performance of the employees (Amarneh et al. 2010). Among the few available studies, Amarneh et al. (2010) and Abu Al-Rub (2004) examined the impact of co-worker support on job performance of hospital nurses. In the study by Abu Al-Rub (2004) the results indicate that there is significant positive relationship between co-worker support and job performance of employees. Moreover, Amarneh et al. (2010) also reported significant impact of co-worker support on job performance of the nurses. On the other hand the effect of co-worker support on job performance of the tax professionals has been rarely studied. Proposing its impact on tax return preparation can help tax professionals in extending support to co-workers and receiving support from co-workers when needed.

Therefore, in the context of the current study, it is proposed that co-worker support to fellow tax professionals in the tax return preparation be seen as a significant variable. Co-workers can support each other on ambiguous tax laws and also support to share the burden of tax return preparation. Based on the above discussion, current research suggest that co-worker support can influence tax return preparation errors and bring significant reduction in tax return preparation errors. The following hypothesis has been postulated based on the literature cited and the above discussion:

H2: Co-worker support has an influence on tax preparation errors made by tax professionals.

2.4.4 Work Engagement

Work engagement was first explained in the study by Kahn (1990) as a construct in which the investments in the emotional, physical and cognitive energy at work are taken into consideration. Schaufeli, Salanova, González-Romá and Bakker (2002) redefined work engagement as an effective motivational construct featured by absorption, vigour and dedication. Vigour refers to high level of energy that is exhibited in work. Inspiration, enthusiasm, and experiencing challenges at work represent dedication of the worker. The explanation of absorption is the focus on the sense of harmony. Absorption is related to the flow that is featured by being immersed and focused on the work (Csikszentmihalyi, 1975; Hallberg & Schaufeli, 2006). The conceptualisation of work engagement is not an experience which is highly confined, but it is a continuous state of motivation that is varying in strength (Hallberg & Schaufeli, 2006; Sonnentag, 2003).

According to Christian, Garza and Slaughter (2011), work engagement is a well-known construct to measure the level of commitment and dedication of workers towards their work. The emerging research studies conceptualise work engagement as personal investment in job (e.g., Kahn, 1990; Schaufeli et al., 2002; May, Gilson & Harter, 2004; Macey & Schneider, 2008; Rich, LePine & Crawford, 2010).

The distinctiveness of work engagement is that it includes high involvement of individuals and motivation of employees to do work (Sonnentag, Binnewies & Mojza (2010). As a higher level of motivation is reflected in work engagement, employee's performance also increases when employees have high work engagement. The study by Xanthopoulou, Bakker, Demerouti and Schaufeli (2009) reported that with high work engagement not only individual performance improved but the financial returns also increased with the presence of high work engagement. In order to perform work more efficiently; dedication and high level of motivation are required. Moreover, work engagement seems as a source of differences in the level performance; more engagement results in higher individual performance (Salanova, Agut & Peiró, 2005). If high work engagement is evident, then it reflect positive feelings like enthusiasm and happiness that are directly related to job performance (Kahn, 1990; Schaufeli et al., 2002). With the presence of positive influence, higher goals are set for a task and this creates an expectation that there will be positive work engagement result (Hakanen, Bakker & Schaufeli, 2006; Ilies & Judge, 2005).

The work of employees will be interesting and easier if they are engaged in their work and they will have feelings of more commitment, absorption and robustness in their jobs (Crawford, Lepine & Rich, 2010). As a result, employee engagement will improve the services provided to the clients (Harter, Schmidt & Hayes, 2002). In tax return preparation work, the sensitivity of the work requires more engagement to accomplish the task with less errors. The extensive calculations, stating due amount by following tax rules can be achieved with high level of work engagement. The dedication, vigour and

absorption feature are demanded in tax work because it requires accuracy and compliance to standard rules and procedures.

The current study argues that in order to ensure that tax return is free from errors, tax professionals need to reflect a high level of work engagement so that accuracy and compliance to standards can be achieved in the tax return preparation. As work engagement is self-investment towards work, it requires dedication and vigour element. It is a commonality which is revealed in the form of emotional, physical and cognitive energy that an individual put in their work role (Rich et al., 2010).

Richman (2006) claims that work engagement helps predict employee outcomes, organisational success and financial performance. Engagement has also been found to have significant relations with in-role and discretionary work performance, reflecting how well an individual performs the duties required by the job (Christian et al., 2011). Core motivational dimensions of work engagement are attention and absorption in a role which imply intensive involvement in an activity that nothing else seems to matter (Schaufeli & Bakker, 2004). Previous research has shown that work engagement affects work-related outcomes which means job performance (e.g., Harter, et al., 2002; Park & Gursoy, 2012). As employees become more engaged, they find their work more meaningful, self-fulfilling and inspirational and in turn, become more dedicated and concentrated in the job and leading to superior job performance (Park & Gursoy, 2012). Based on the above discussion and the research literature cited, it can be argued that work engagement can significantly influence tax preparation error. In corporate tax

return preparation, high level of engagement will show the passion and understanding of the tax professionals in their work, which can be regarded as basic element of correct tax return preparation. The current research proposed that work engagement can significantly influence the tax preparation errors made by tax professionals. The following hypothesis has been formulated based on above-cited literature and discussion.

H3: Work engagement has an influence on tax preparation errors made by tax professionals.

2.4.5 Perceived Behavioural Control

Perceived behavioural control (PBC) is another element which exert significant impact on performance. Ajzen (1991) described performance is determined by the control he or she possess over performing the task. Having personal control over the work refers to the ability of individuals or groups of individuals to adopt and adjust the quality of their work to improve their work effectiveness. In defining control over work, previous studies have some suggestions and explanations. Allen and Greenberger (1980) defined perceived control as the ability to personalize ones' workspace. Other studies also defined work control as including task control, decision control, control over the physical environment, and control over the job resources (Brager, Paliaga, & Dear, 2004 ; Chiu, Chien, Lin, & Hsaio, 2005 ; Huang, Robertson, & Chang, 2004 ; Parker, Jimmieson, & Amiot, 2013).

In fact, control over work can have a positive influence on workers' effectiveness. Perceived control over work also improves individuals' mood and enhance their intellectual performance and creativity at work (Baron, 1990; Veitch, Charles, & Newsham, 2004). As suggested by previous studies, personal control over work is necessary for individual well-being and satisfaction from their own work (Brager et al., 2004; Huang et al., 2004; Young Lee, 2006; Lee & Brand, 2005). It is often observed that employees who are more satisfied with their work environment are more likely to do better work and achieve better outcomes (Lee & Brand, 2005; Veitch, Charles, Farley & Newsham, 2007; Yee, Yeung & Cheng, 2008). Lee and Brand (2005) examined how perceived control may affect individual and work group outcomes. They found a strong and direct relationship between perceived level of control over the work and perceived job performance. So personal control itself can make employees feel positive and improve their positive mood.

Research findings show that positive and good feelings change people's bodily systems and predict healthier mental and physical outcomes, such as reduced stress and physical pain; they also modify people's perceptions and insights (Fredrickson, 2001; Fredrickson & Branigan, 2005). Positive emotions which build with perceived control help employees achieve beneficial outcomes, including improvements in attention and thinking, success, job enhancement, and creative outcomes. Smart (2012) conducted a study on individual taxpayers and tax professionals in New Zealand using perceived behavioural control as a predictor of compliance with tax law.

The tax return preparation error is in terms of underreporting income or overstating an expense to show less profit to IRBM. Thus, perceived control refers to the control over compliance with law or non-compliance with tax law during the tax return preparation process. Moreover, Kirchler (2007) describes it as the self-confidence that a taxpayer possesses in filing a tax return in a self-advantageous way and have ability to understate the income or overstate the expenses due to his knowledge and abilities pertaining to tax return preparation.

Individuals with high levels of perceived control should be more disposed to exert high control over their job task. Yzer (2012) argued that when a person considers performing a particular behaviour, perceived control is the answer of the person to on either he or she have control to do the work. There is an expectation of being motivated to perform the behaviour from people with high perceived control. Based on the above discussion, this study argues that the level of control over job provide more confidence to tax professional over their work and based on the knowledge and skills they can prepare correct tax returns with less or no error. On the other hand tax professionals with low perceived control may have more chances to make error in tax return preparation. This study proposes that perceived control will significantly influence the tax return preparation errors made by tax professional. The following hypothesis has been formulated.

H4: Perceived behavioural control has an influence on tax preparation errors made by tax professionals.

2.4.6 Self-Recognition

Recognition or self-recognition is acknowledgement, support and genuine appreciation given to individuals when they perform well at work. Recognition is treated as universally applicable and can be a very powerful reinforcement to improve performance (Luthans, & Stajkovic, 2006). Recognition for a job well done is commonly considered as an important management tool for motivating employees. Existing empirical studies show strong positive correlations between the provision of recognition and employee performance (Bradler, Dur, Neckermann & Non, 2016). In context of the current study, the tax return preparation by tax professional is considered as their job performance. The tendency to make more error in the tax return preparation will be considered as negative performance of the tax professional.

Studies show that to enhance employees' self-esteem, the role of programmes related to recognition are the most crucial factor (Danish & Usman, 2010). Moreover, Bradler, Dur, Neckermann and Non (2013) also provide sufficient research evidences that employee recognition has significant impact on performance. In a field experiment study conducted by Stajkovic and Luthans (2003) in the context of various workplaces, they also reported strong positive influence of recognition on the performance of professionals. Moreover, Grant and Gino (2010) investigated how employee's performance is influenced by the manager's verbal expression of gratitude and they found a strong positive relationship on the influence of recognition on employee's performance. This study extended this idea of recognition to the recognition by clients on successful provision of services. In context of the current study the appreciation and recognition of the tax professional can be provided by the corporate tax payers.

A study by Baron (1983) made an argument that when an employee is recognised, the performance and working capacity of the employees will also increase. Considering the view of more experts, recognition is considered the highest need, whilst rewards such as compensative and monetary benefits cannot be considered the main motivators of employees. When the need of an employee is fully met, the employee will be motivated. If an unexpected increase in recognition, pay and praise are seen, there will be an increase in the employee's motivational level (LaMotta, 1995).

In addition, Freedman (1978) claimed that with the implementation of effective recognition and rewards, the working environment would be favourable which will then increase the performance of employees. With recognition, employees feel valued and this results in employee's high morale and this increases the productivity of organisations. The employees feel happy and satisfied when they have given their full efforts to perform at the workplace (Danish & Usman, 2010).

On the significance of employee motivation, Nelson's work (2005) entitled „1001 Ways to Reward Employees“, is a prominent example of the motivational effect of recognition. His survey begun with the confirmation of “what almost every employee knows: that for the employee's performance, job recognition is the top motivator”. Amongst employees and managers, similar views are revealed in other studies as reported by Holton, Dent and Rabbetts (2009).

In the context of professionals, Jessen (2010) mentions that practitioners observe their own working role through the eyes of clients. Professionals expect less recognition and gratitude in the case of bad work. Thus, recognition by clients is considered an important aspect by professionals. Furthermore, Thompson and Milsome (2001) noted that recognition helps employees to provide outstanding customer service or dedication to the job. In line with this, Silverman (2004) reported that recognition encourages and support certain behaviour of professionals, which is tax return preparation in this research.

Appreciation and recognition for a well prepared tax return by the clients could be of importance to the tax professionals. The clients can boost the motivation level of the tax professionals by giving due recognition to their work, which is preparing error free tax returns on behalf of corporate clients. Empirical research evidences show that recognition can lead to superior job performance. It is expected that self-recognition can also be a source to improve the tax return preparation by making less error in tax returns. Based on the cited literature and above discussion, this study proposes that self-recognition can influence the tax return preparation error made by tax professionals. This study postulates the following hypothesis:

H5: Self-recognition has an influence on tax preparation error made by tax professionals.

2.4.7 Working Experience

Working experience in taxation is an important factor in issue identification, a key input into the tax-planning process. McGuire, Omer and Wang (2012) suggested that tax expertise is comprised of client-specific knowledge as well as knowledge of the tax law that relates to specific entities, jurisdictions, or industries. To the extent that experienced tax professionals possess superior knowledge of available tax-planning opportunities, tax experts are likely able to develop unique tax-planning strategies for their clients.

There is a positive correlation between employee performance and working experience. Working experience benefits the worker to perform better than others based on the abilities and skills gained by years of working. The quality conscious customers usually prefer the experienced workforce as they have low possibility of making mistakes (Elnaga, 2013). This probability of less mistakes often attract corporate tax payers to choose tax professionals with more working experience in order to handle complex tax issues effectively.

Work experience is considered the more often encountered concept in personnel research and practice. Considering the significance of work experience for research and job tasks, many studies have examined this concept and its relationship with workplace performance (Quíñones, Ford & Teachout, 1995) and the significant outcomes as a result of hiring experienced employees (Dokko, Wilk & Rothbard, 2009). In the specific context of tax professionals, the idea of tax professional experience and the

ability to handle complexities in tax preparation is well supported in the studies by McGuire et al. (2012); Burton and Karlinsky (2016).

Dusenbury, Gerard and Reimers (2003) pointed out that some stakeholders in the income tax community use years of experience and tax knowledge as a measure of expertise, whilst others measure expertise by qualifications and credentials. Experienced employees possess internalised beliefs, values, and job expectations based on their occupations, which results in effective tax planning and tax return preparation (Carr, Pearson, Vest & Boyar, 2006; Fernandez, Castilla, & Moore, 2000). It was also noted by Hausman, Crow and Sperry (2000) that employees with experience assess their weaknesses more realistically and can reduce those weaknesses to improve their job performance. It reflects that experienced tax professionals can address their mistakes and will make less tax preparation errors. The ability to identify issues and complexities and dealing them with the help of job experience is significantly important for any corporate tax payer.

In reference to tax preparation errors amongst the tax professionals, Tan and Chua (2000) found that tax professionals with lesser experience are more prone to errors as compared to tax professionals who are more experienced or at least not new to the field of filing tax returns. Hill (2009) points out that those who have attained the highest level of required skill and experience can be distinguished from those who do not possess expertise in the field of tax return preparation.

In addition, Burton and Karlinsky (2016) argued when a person is familiar with an issue they do not usually perceive it to be as complex as someone who is not familiar with the issue or someone who works in the area only rarely. Moreover, Hamid (2014) documented that working experience as a tax professional is the best guide in a situation where a tax professional need to decide what is right or wrong . Experience in the field keep tax professionals in the boundary of acceptable rules and regulations. The experience of the tax professionals can be a key to prepare error free tax returns for their clients.

Tax professionals" experience strengthen their skills on tax matters and assist them to prepare accurate and error free tax returns. In the light of the literature cited, it can be argued that tax professionals with more experience will have less tendency to make errors in tax return preparation for their corporate clients as compared to those who have less experience as a tax professional. Tax professionals with their working experience can handle tax matters and complexities of law more professionally in comparison to less experienced in tax profession especially corporate tax return preparation. Based on the above literature review and discussion, this study postulates that tax professionals" experience can have influence on tax preparation errors. The following hypothesis has been formulated to test the proposed relationship:

H6: Working Experience of tax professional has an influence on tax preparation errors made by tax professionals.

2.4.8 Ethnicity of Tax Professionals

Ethnicity is a cultural heritage shared by a group of individuals that include history, culture, and a sense of identity (Ahmad, 2008). Moreover, ethnicity can be explained as cultural characteristics shared by a group of individuals, such as language, history, values, and customs, which distinguishes them from other groups. In past diversity of the groups has been discussed to address the effectiveness of diverse group on performance of an organisation by Pitts and Jarry (2007); Roth, Huffcutt and Bobko (2003). But very little has been discussed on how ethnicity of an individual can have an effect on individual job performance, such as tax return preparation.

Accounting research in particular, has struggled with how role of ethnicity can be understood in relation to concepts such as nation and nationality and how ethnicity may impact on accounting and auditing practices, behaviours and professional values (Baskerville, Jacobs, Joannides de Lautour & Sissons, 2016). In the context of this study, ethnicity of tax professionals can also impact on their practices. Their different values, cultural values and norms could be different due to ethnic differences which can affect their tax return preparation.

In Malaysia, where tax professionals come from diverse ethnic, socio-cultural, economic and demographic backgrounds and corporate clients also have a diverse expectation from tax professionals. In order to retain their clients, tax professionals must exhibit acceptable standard and values. Unfortunately, most studies about ethnicity and indigenous groups are usually concentrated on the negative aspect such racism or

aggressiveness in certain ethnic group (Australian Institute of Health and Welfare, 2011; Kirmayer, Weinfeld, Burgos & du Fort, 2007; Mitchell, 2009; Prescott & Hooper, 2009) thus making them more vulnerable. The research studies related to the culture/ race are not encouraged due to fear of public criticism. But studies on race/culture can stir up certain sentiments which may conform to the norms of the society (Yong, 2014). This cultural differences among the various ethnic groups in Malaysian can be a reason for differences between practices of tax professionals.

A number of studies in the area of taxation have used ethnicity as a demographic variables (Mottiakavandar, Ramayah, Haron & Ang, 2003; Loo, 2011), but the study of Kasipillai, Aripin, and Amran (2003) employed both ethnic groups and gender with other variables for the purpose of evaluating the impact of education on tax compliance amongst the undergraduates in Malaysia and found no significant difference due to ethnicity. On the other hand, Sendut (1991) explained that the effect of ethnicity possibly is significant in a multicultural society where each ethnic group prefers to maintain their ethnic identity. In a multiracial country like Malaysia, ethnicity might also be an important factor that affects tax attitude and behaviour (Kasipillai & Abdul-Jabbar, 2006). Based on the literature review it can be asserted that belonging to a particular ethnic group can change the perspective of individuals towards their work. As different groups of professional exhibit different decision making styles due to their ethnicity, tax professionals are expected to be also different in their way of handling tax matters. This research based on the above literature and discussion argues that ethnicity of the tax professionals will influence tax returns which is to be regarded as job

performance of the tax professionals. The following hypothesis is formulated based on the research literature cited in the above discussion.

H7: Ethnicity of tax professional has an influence on tax preparation errors made by tax professionals.

2.5 Theoretical Framework

Based on the literature review, a research gap has been identified to carry out further research on tax preparation errors. To fill the identified research gap, this study aims to examine the influence of ethics, co-worker support, work engagement, perceived behavioural control and self-recognition on tax preparation errors and two control variables, namely working experience and ethnicity of tax professional. The conceptual framework of the current study is given in Figure 2.1. Table 2.1 summarised the proposed relationships.

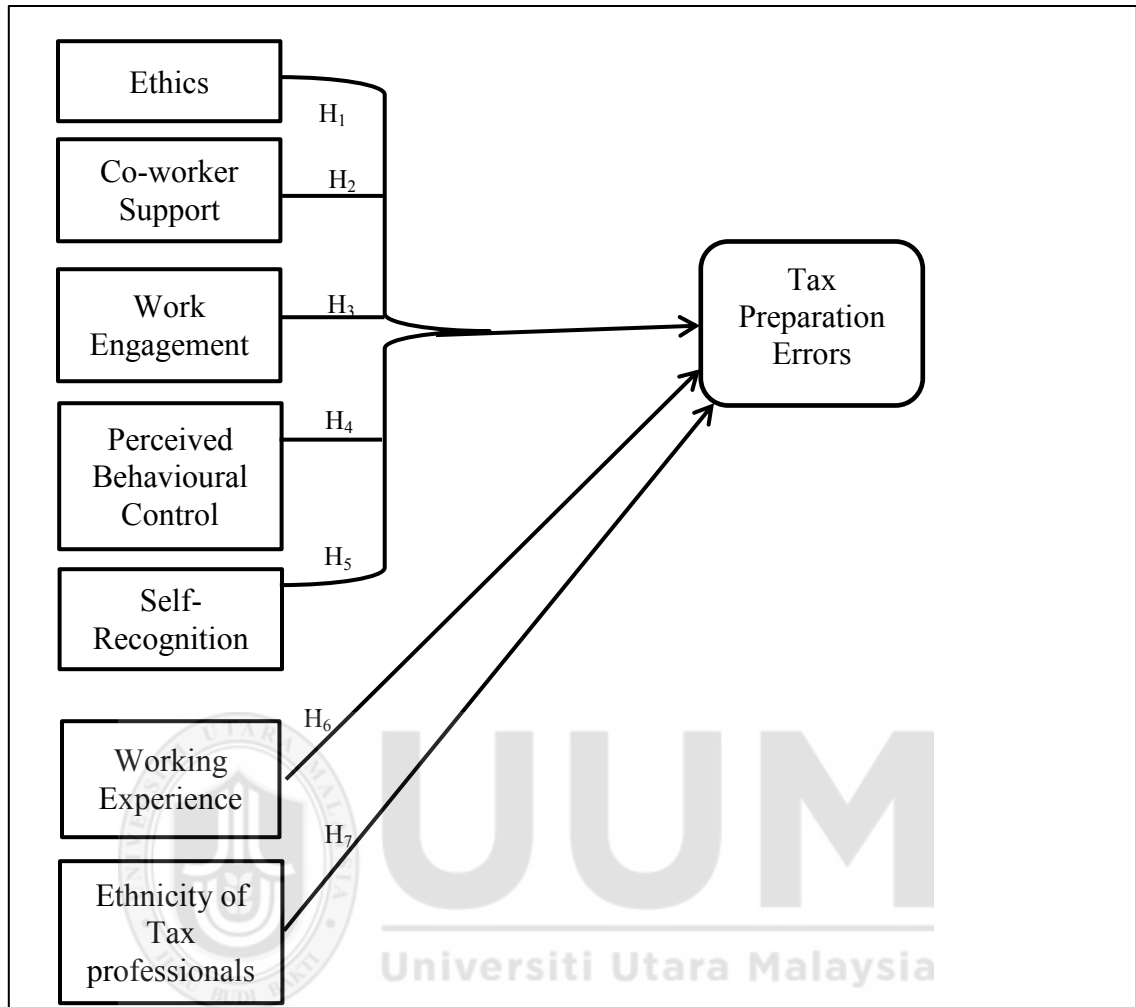


Figure 2.1
Conceptual Framework of the study

Table 2.1
Summary of Hypotheses

No	Statement of Hypotheses
H1	Ethics has an influence on tax preparation errors made by tax professionals.
H2	Co-worker support has an influence on tax preparation errors made by tax professionals.
H3	Work engagement has an influence on tax preparation errors made by tax professionals.
H4	Perceived behavioural control has an influence on tax preparation errors made by tax professionals.
H5	Self-recognition has an influence on tax preparation errors made by tax professionals.
H6	Working experience has an influence on tax preparation errors made by tax professionals.
H7	Ethnicity of tax professional has an influence on tax preparation errors made by tax professionals.

2.6 Summary

This chapter discusses the corporate tax system in Malaysia. The related underpinning and supporting theories were discussed to support the conceptual framework of the study. Previous related studies were reviewed to provide literature support and strengthen the idea presented in the study. The conceptual framework was presented to explain the proposed relationship between independent, dependent and moderating variables. The hypothesis summary and overall chapter summary was also presented in the last section. The chapters that follow provide details on how this study will be conducted. Chapter 3 provides details on research design, population of interest, sampling technique, data collection procedures, measurements and data analysis techniques. The subsequent chapter provides details on how the hypotheses proposed in the current chapter will be tested.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The previous chapter reviewed the literature on factors that influence on tax preparation errors. The present study intends to investigate the influence of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity on tax preparation errors made by tax professionals. This chapter presents methodology to achieve the above mentioned objective, which include research design, identification of population, sampling technique, data collection procedures, variable measurements, instrumentation and procedures of data analysis. In the end a chapter summary is given.

3.1 Research Design

The current study uses a quantitative method of inquiry to examine the relationship between independent and dependent variable. It follows systemic statistical procedures such as the formulation of hypotheses and identifies reliable and valid measures prior to data collection. Alias (2008) mention that empirical evidence generated using a quantitative research design have more acceptances and more strength to be generalised on a large population. The evidence in support of acceptability and generalisability generated results from quantitative research design inspires current research to choose quantitative research design. Moreover, the current research is among few studies that use quantitative analysis to study tax preparation errors made by tax professionals.

Quantitative research is a formal, objective and systematic process that describes and investigates the proposed relationship between variables (Grove & Burns, 2005). The quantitative approach to data analysis is valuable for studies which aim to derive significant results from the collected data. In addition, quantitative research design provides results based on statistical values to ensure a high degree of confidence on results (Zikmund, Babin, Carr, & Griffin, 2010). Quantitative research involves larger sample size and increases the degree of generalisation of computed results. Moreover, in a survey research, the model testing using multivariate statistical tool can be enhanced with large sample size (Hair, Black, Babin, Anderson, & Tatham, 2010; Herzog, Boomsma & Reinecke, 2007; Tabachnick & Fidell, 2007). Based on the previous literature, the current study uses quantitative research design with survey as data collection method and tests hypotheses using a multivariate data analysis techniques to ensure a higher degree of generalisability.

3.2 Population and Sampling Frame

The following section presents population of the interest and sampling technique used to draw a sample from registered tax professionals. The detail on population and sampling is given in below section.

3.2.1 Population

The study uses registered tax professional with IRBM as target population to collect the data. The information is available on IRBM's official website which reports 2191 registered tax professionals until March 2015. The tax professionals in Malaysia are

grouped into 13 states and 2 federal territories (Kuala Lumpur and Labuan). The total number of tax professional in every state is shown in Table 3.1.

3.2.2 Sampling Technique

Since studying the whole population is not easy, a portion of the population called the sample, representing the entire population is often drawn from the population. This study adopts a convenient sampling which is a non-probability sampling technique to draw a sample from IRBM registered tax professionals. Convenient sampling technique provides the opportunity to obtain participants or units that are most conveniently available and willing to participate in the study (Zikmund et al., 2013). One of the major reasons for choosing convenience sampling technique in this study is a large population which makes it impossible to include every individual in the study (Zikmund et al., 2013). Therefore, convenience sampling is used for accessibility and proximity of the population to the researcher due to large population and situation where demographic profile of the respondents is not available.

This study uses Krejcie and Morgan (1970) sample size determination table to select required number of tax professionals. As per Krejcie and Morgan (1970) the sample size for a population of 2200 tax professionals, the required sample size is 327 tax professionals. However, most of the prior studies on tax professional in Malaysia faced low response rate (Hamid, 2014). This study enlarges total required sample size to 1108 tax professionals with the following procedure. In IRBM website, a total of 15 name lists of tax professionals are available which are categorised into 13 states and 2 federal territories (Kuala Lumpur and Labuan). The tax professionals name is in alphabetical

order for easy searching. The details of tax professionals like firm name, address and contact number are given as general information. Every page enlist 10 tax professionals on the basis of states. Selection of tax professionals for the current study is through convenient sampling technique, this technique ensures the participation of maximum tax professionals on the basis of availability and willingness to participate.

The overall population of tax professionals as provided by IRBM is given in Table 3.1, where the tax professionals are sorted based on the race to compare the demographic information of the original population with the collected data. The results of demographic analysis show that collected sample consists of 77.18.% Chinese, 15.47% Malay, 5.66% Indian and 1.69% others. Table 3.2 presents the information on tax professionals and their available demographic information.

Table 3. 1
Tax Professionals in Malaysia

State	Chinese	Malay	Indian	Others	Total
Perlis		3			3
Kedah	39	11	1		51
Penang	174	7	7	2	190
Perak	105	21	4	1	131
Selangor	306	73	40	11	430
Kuala Lumpur	502	88	49	17	656
N. Sembilan	19	13	4		36
Melaka	71	10	2		83
Johor	171	47	14	2	234
Pahang	25	17	2		44
Terengganu	10	17			27
Kelantan	15	19		1	35
Sabah	105	5	1	2	113
Labuan	2	2			4
Sarawak	147	6		1	154
Total	1691	339	124	37	2191

Source: Inland Revenue Board of Malaysia 2015

3.3 Data Collection Procedure

A survey questionnaire used to tax collect data from tax professional of 13 states and 2 federal territories (Kuala Lumpur and Labuan). The data collection was carried over a period of 3 months, from March to May 2016. Total of 1108 potential respondents were selected using convenient sampling technique. After the sample was drawn, 140 tax professionals were found ineligible because of expiry of agent approval. After exclusion, those ineligible sample, consent to participate in the survey was taken using a phone call. As a result, 623 tax professional agreed to participate in the survey. The survey was sent to the participant upon their confirmation and maximum efforts have been made to get adequate response rate. In case, where survey form was not returned, a follow-up call was made in every 2 weeks.

On the effectiveness of survey administration, Dillman (1978) argued that administration of the survey significantly influences the level of satisfactory responses. Therefore, this study uses a self-administered questionnaire to collect data from tax professionals. The questionnaire of this study consists of 54 items measured on a 5-points Likert scale, where 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The cover letter of the questionnaire was a self-explanatory letter which explained the purpose of the study and ensures the anonymity and confidentiality of the participants.

3.4 Measurement of Variables/ Instrumentation

Measurement of variables or instrumentation is a tool or mechanism to describe the specific properties of the variables of interest in a study by assigning numbers in a reliable and valid manner (Creswell, 2012; Sekaran & Bougie, 2010; Zikmund et al., 2010). The responses regarding ethics, co-worker support, work engagement, perceived behavioural control and self-recognition and tax preparation errors were measured using a five-point Likert scale, i.e. 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The detail on measurement scales is given below.

3.4.1 Ethics

The questionnaire to measure ethics was adapted from the study of Finn et al. (1988). The scale was used in previous research studies such as Marshall, Smith and Armstrong (2005) and Marshall, Smith and Armstrong (2010). Previous studies reported a high Cronbach's alpha value of the scale developed by Finn et al. (1988). The items were measured using a five-point Likert scale, i.e. 1= strongly disagree, 2 = agree, 3 = neutral, 4 = agree and 5 = strongly agree. A Cronbach's alpha of 0.93 was reported in the study of Marshall et al. (2010), which ensures a high level of reliability and consistency of the measurement (Carmines & Zeller, 1979). Cronbach's alpha value is classified as follows; 0.5 or less considered being poor, above 0.6 acceptable, above 0.7 good, above 0.8 very good, 0.9 excellent, and 0.95 as questionable (George & Mallery, 2003). The items of Ethics (E1 and E7) were reverse coded, the use of both positively and negatively worded items in questionnaires was to prevent response bias (Rorer, 1965 as

cited in Sonderen, Sanderman, & Coyne, 2013). Response bias can pose a serious threat to the validity of self-report instruments (Baumgartner Steenkamp, 2001).

3.4.2 Co-worker Support

The measurement of co-worker support was adapted from Limpanitgul, Robson, Gould-Williams and Lertthaitrakul (2013). The measurement scale selected has been earlier used by Limpanitgul, Boonchoo and Photiyarach (2014) and Limpanitgul et al. (2013). The items of the scale measured using a five-point Likert scale in which 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Limpanitgul et al. (2013) reported Cronbach's alpha=0.86, which shows a very good level of reliability of the measurement. The items of co-worker support (CS5 and CS7) were reverse coded to avoid response bias.

3.4.3 Work Engagement

The measurement scale for work engagement was adapted from Bledow, Schmitt, Frese and Kühnel (2011). The same was also used by previous research studies such as Schaufeli (2012), Hüsheger, Bledow, Depenbrock and Reb (2015) and Depenbrock (2017). The scale items were measured using a five-point Likert scale anchored 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The Cronbach's alpha for the work engagement reported by Bledow et al. (2011) was 0.92.

3.4.4 Perceived Behavioural Control

Perceived behavioural control was adapted from Hamid (2014). The measurement was earlier used by previous researchers, such as Cuong and Jian (2014) and Benk, Cakmak and Budak (2011) and Hai and See (2011). The items were measured using a five-point Likert scale, i.e. 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Hamid (2014) reported a Cronbach's alpha of 0.757, which indicates a good level of reliability. In PBC measurement PBC4 and PBC 6 were reverse coded.

3.4.5 Self Recognition

Meanwhile, self-recognition is measured using the scale adapted from the study of Wayne, Shore, Bommer and Tetrick (2002). Chirazof (2015); Naotunna and Arachchige (2016) used this scale in their studies. The items of the scale measured using a five-point Likert scale in which 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Naotunna and Arachchige (2016) reported a Cronbach's alpha value 0.87, which reflects an acceptable level of reliability.

3.4.6 Tax Preparation Error

The measurement of the construct tax preparation error was adapted from Simon (2012). The scale was tested for reliability statistics in the current study which results in Cronbach's alpha = 0.881. The higher value of Cronbach's alpha indicates a higher level of reliability of the measurement scales. The items of ethics were measured on a five-point Likert scale where 1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5

= strongly agree. The items of TPE (TPE1, TPE2, TPE3, TPE4, TPE15, TPE16 and TPE17) were reversed coded.

The items used were modified based on suggestions of experts in the field, which ensures that contents are suitable to measure the respective construct. After required modifications, the following items were used in the instrument to collect data as given in Table 3.3.

Table 3.2
Measurements of Variables

Variables	Question(items)	Measure
Demographic	1.Age	
	2.Working experience	
	3.Ethnicity	
Ethics	1. There are many opportunities for tax professionals to engage in activities or behaviour that I consider unethical (R)	
	2. Tax professionals outside my firm/tax practice often engage in activities that I consider to be unethical.	
	3. In order to succeed in tax practice, it is often necessary for a tax professional to compromise his or her ethics.	Chonko and Hunt (1985);
	4. Successful tax professionals are generally more ethical than unsuccessful tax professionals.	Finn, Chonko and Hunt
	5. Tax professionals who behave unethically are severely disciplined.	(1988).
	6. An ethical practices code drawn up for the tax profession by experienced tax professionals would raise the ethical level of tax practice.	
	7. The duty of a tax professional is to the client limited only by a duty to uphold the letter of the law.	

Table 3.2 (Continued)

Variables	Question(items)	Measure
Co-Worker Support	<ol style="list-style-type: none"> 1. My co-workers are supportive of my goals and values. 2. Help is available from my co-workers when I have a problem. 3. My co-workers really care about my well-being. 4. My co-workers are willing to offer assistance to help me to perform my job to the best of my ability. 5. Even if I did the best job possible, my co-workers would fail to notice. 6. My co-workers care about my general satisfaction at work. 7. My co-workers show very little concern for me. 8. My co-workers care about my opinions. 9. My co-workers are complimentary of my accomplishment at work. 	Limpanitgul, Robson, Gould-Williams and Lertthairakul (2013).
Work Engagement	<ol style="list-style-type: none"> 1. I feel strong and vigorous in my work. 2. At my work, I feel bursting with energy. 3. I am enthusiastic about my work. 4. My work inspires me. 5. I am happily engrossed in my work. 	Bledow, Schmitt, Frese and Kühnel (2011)
Perceived Behavioural Control	<ol style="list-style-type: none"> 1. For me to overstate the business travelling expenses in the tax return of my client is easy. 2. With my expertise, I could easily overstate the business travelling expenses in the tax return of my client, if I wanted to. 3. I have much control over overstating the business travelling expenses in the tax return of my client. 4. For me to omit RM 2,000 cash sale from the tax computation of my client is difficult. 5. With my expertise, I could easily omit a RM 2,000 cash sale from the tax computation of my client if I wanted to. 6. I don't have much control over omitting a RM 2,000 cash sale from the tax computation of my client. 	Hamid (2014)

Table 3.2 (Continued)

Variables	Question(items)	Measure
Self-Recognition	<ol style="list-style-type: none"> 1. My work is visible in eyes of my clients. 2. My clients pay personal attention to me. 3. My clients recognise me and my work. 4. My clients appreciated my work. 5. I always receive due recognition on my good work from my clients. 	Wayne, Shore, Bommer & Tetrick (2002)
Tax Preparation Errors	<ol style="list-style-type: none"> 1. Paying a relatively small fine would deter me from tax preparation errors. 2. Paying a substantial fine would deter me from tax preparation errors. 3. Tax return will be audited in more details, if the IRBM detects tax preparation errors this would deter me from tax preparation errors. 4. Tax professionals should be prosecuted in court, would deter me from making tax preparation errors. 5. Tax preparation errors are just a common matter. 6. I make tax preparation errors regularly. 7. I believe taxpayers are under no legal obligation to file an amended return, so whether to do so I am not that much concerned about errors. 8. Sometimes I unknowingly understate or overstate taxable income and legitimate deductions in my clients' tax returns or worksheet. 9. Sometimes I overlooked and prepared tax returns based on information supplied by the client. 10. Sometimes I unintentionally omit reporting or entering income or deductions from an information return or a clients' worksheet. 11. Sometimes I calculate incorrect total chargeable income due to mathematical error. 12. Sometimes I wrongly record the amount for „Tax Payable“ item in the „Tax Repayable“ item or vice-versa. 	Simon (2012)

Table 3.2 (Continued)

Variables	Question(items)	Measure
Tax Preparation Errors	13. Sometimes I miss the deadline to submit the Income Tax Return Form for my clients.	Simon (2012)
	14. Sometimes, I face the technical error due to my in-proficiency.	
	15. I always show my work to my clients before the submission of income tax return form.	
	16. I never make a mistake while filing a tax return.	
	17. I am very much concerned about tax preparation errors.	

3.5 Reliability Testing

Internal consistency of the instruments can be examined through reliability test. The value of Cronbach's alpha represents the reliability of the measurement. Reliability analysis assesses the consistency and stability of instrument used to measures the concept and assists in assessing the „goodness“ of an instrument (Cavana, Delahaye & Sekaran, 2001). Cronbach's alpha test was used to measure the reliability of constructs. Cronbach's alpha is a popular technique which can be calculated by through Statistical Package for Social Science (SPSS).

Cronbach's alpha is usually explained on a numerical value ranges from 0-1. In which „0“ represents the lower reliability and 1 indicates greater reliability in the internal reliability criterion (Pallant, 2010). Cronbach's alpha values were classified as follows; 0.5 or lees as poor, above 0.6 acceptable, above 0.7 good, above 0.8 very good, 0.9 excellent, and 0.95 questionable (George & Mallery, 2003).

Before operating the questionnaire to participants of the current study, the pilot test was conducted on 40 respondents to assess the reliability of the measurements. The Cronbach's alpha value of Ethics was 0.801, co-worker support (0.728), work engagement (0.861), perceived behavioural control (0.897), self-recognition (0.805) and tax preparation errors (0.881) respectively. All values were above 0.70, according to Nunnally and Bernstein (1994), the acceptable range of reliability is from .70-.80. The details of the reliability statistics are given in Table 3.4.

Table 3.3
Reliability Statistics

Variables	Question(items)	Cronbach's Alpha
Ethics	7	0.801
Co-Worker Support	9	0.728
Work Engagement	5	0.861
Perceived Behavioural Control	6	0.897
Self-Recognition	5	0.805
Tax Preparation Errors	17	0.881

3.6 Data Analysis

After collecting the data, it was analysed using SPSS version 20.0 to draw conclusions. According to Levine and Roos (2002), data analysis is a set of methods and procedures that assist in detecting patterns, developing explanations and testing hypotheses to find the solution to research problems. It is also a systematic process of using data to find out the answers to research questions posed by researchers. SPSS has the capacity to perform a wide range of data analysis techniques and procedures namely descriptive statistic, graphical representation of data, differences among the groups to sophisticated techniques such as logistic regression, reliability and validity of the measurements. A

perfect data analysis requires all variables and items of the questionnaire to be coded for factor analysis. The data analysis is crucial, it is not only used to examine the results, but it also helps the researcher to develop, improve and refine the objectives of the study. Data analysis is performed in this study in two categories; descriptive analysis and inferential analysis. The descriptive part uses mean, standard deviation to explain the nature of data. Correlation and regression are used for making inferences about the relationship between independent variables and dependent variable. Multiple regression analysis is used to assess the influence of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity on tax preparation errors. The details on a descriptive and inferential statistic are given in the following section.

3.6.1 Descriptive Statistic

The descriptive statistic is the methods and procedures used to organise, display, describe and explain a data in form of tables, graphs and various summary measures (Norusis, 2000; Johnson & Christensen, 2000). This study uses normality test, mean and standard deviation for descriptive analysis. The graphical presentation helps to enhance the understanding of additional features such as the trend and nature of the data. The descriptive statistics for ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, age, working experience, ethnicity and tax preparation errors is calculated. The descriptive statistics provide basic information on demographics and variables of the current study.

3.6.2 Inferential Statistic

Inferential statistics can is a process of making inferences or drawing a conclusion from the sample data with random variations. It also assists to make judgments about the probability of whether the observed difference between groups is a dependable one or one that might happen by chance. In simple terms, inferential statistics are statistics that are useful to draw conclusions about a population (generalisation) from sample information. It also assists researchers to draw conclusions from the sample data to form generalisation about the population. Pearson correlation and multiple regression are used to analysis the data. The details on Pearson correlation and multiple regression analysis are given below:

a. Pearson Correlation

Correlation can be defined as a measure of the strength of the linear association between two variables. Pearson's product-moment correlation provides information about the linear relationship between two continuous variables. The coefficient of correlation ranges between positive 1 to negative 1. The strength of the relationship among variables is evident from the magnitude of the coefficient of correlation whilst direction of linear relationship can be inferred from positive and negative signs (Fah & Hoon, 2009). Moreover, if there is no correlation between variables, the value of correlation coefficient will be „0“. The value closer to „1“ indicates a strong correlation between variables (Marchese & Muchinsky, 1993). The correlation analysis is used to assess the strength of association between ethics, co-worker support, work engagement, perceived

behavioural control, self-recognition, working experience, ethnicity and tax preparation errors.

b. Multiple Regression Analysis

The effect of independent variables on the dependent variable can be examined using multiple regression analysis. This technique is very helpful to provide a deeper and better understanding on how much variation in the dependent variable is explained by a set of independent variables used in the research model. When the mutual association amongst more than two variables are examined, then multiple correlation coefficients denoted by R will be estimated along with the coefficient of determination R^2 that explains the proportion of variations in dependent variable with the inclusion of additional explanatory variables (Cavana et al., 2001). The assumptions of multiple regression analysis such as normality, outlier detection, homoscedasticity and multicollinearity have been tested before analysing the data using multiple regression analysis. This is to ensure the quality of the data and suitability of the data to run multiple regression analysis. These assumptions are a necessary part of the data analysis before testing the proposed or hypothesised relationships.

- 1) Normality test use Skewness, Kurtosis, Kolmogorov–Smirnov test and normal probability plots.
- 2) Outlier Detection through examining Mahalanobis distances.
- 3) Homoscedasticity and linearity check through Scatterplots.
- 4) Detecting and tackling Multicollinearity using Variance Inflation Factor (VIF).

These assumptions are given in details in the next section. These assumptions for the current study are tested in chapter 4 section 4.2 (Data screening and Preliminary analysis).

Normality Test

In hypothesis testing the regression analysis assumes a normal distribution of the collected data. Non-normally distributed data either with high skewness, kurtosis or outlier usually misleads the results and significance of the tests statistics. To assess the normality of the data, several approaches are suggested by the previous researcher which include data plotting, skewness and kurtosis, P-P plots and Kolmogorov–Smirnov tests to provide inferential evidence on the normality of the data (Osborne & Waters, 2002).

The classical normal linear regression assumes that each disturbance (error term) follows a normal distribution. The assumption formula is $\mu_i \sim N(0, 2)$, which means that μ_i (disturbances) is normally distributed with a mean 0 and constant variance 2. If the disturbance is not normally distributed, the t-test and F-test are still valid asymptotic in large samples, but not in small samples. The data for this current study is tested for the normality assumptions.

Linearity Test

The impact of the independent variable on the dependent variable can be tested accurately using standard regression if the nature of the proposed relationships is linear.

In the field of social science, many relationships can be non-linear in nature and it is important to test linearity of the relationships (Osborne & Waters, 2002). Furthermore, Osborne and Waters (2002) further documented that in case the relationships between independent variables independent variable is non-linear, the results of regression analysis can mislead or under-estimate the relationship between variables. The under-estimation of the results lead to two severe risks in terms of increasing the chance of a Type II error for that IV, and in the case of multiple regression, there is a risk of Type I errors (over-estimation) for other IVs that share variance with that IV.

This means that the regression curve should be a straight line to assure the linearity. Linearity concept further explained as a linear function of the parameter, which means that the parameter should be raised to the first power. This concept indicates a direct relationship between dependent variable and independent variables. The variables of the current study ethics, co-worker support, self-recognition, work engagement, perceived behavioural control, working experience, ethnicity of tax professional and tax preparation errors were assessed to ascertain the linear relationship between independent and dependent variables.

Multicollinearity

Regression analysis assumes that there is no multicollinearity among the independent variables. No collinearity means none of the independent variables is exact linear combinations of the remaining independent variables in the model. Ethics, co-worker support, self-recognition, work engagement, perceived behavioural control, working

experience and ethnicity were assessed for multicollinearity assumption to assure that the variables are not a linear combination of each other. In case there is evidence of multicollinearity, the estimated coefficient of the variables will be unidentifiable. It is recommended that in the case of regression estimation the researcher must strive hard to reduce multicollinearity (Poole, & O'Farrell, 1971).

Homoscedasticity

Homoscedasticity means that the variance of errors is the same across all levels of independent variables. When the variance of errors differs at different values of the independent variable, heteroscedasticity is indicated. According to Berry and Feldman (1985) and Tabachnick and Fidell (1996), slight heteroscedasticity has little effect on significance tests; however, when heteroscedasticity is marked it can distort the findings and weakens the analysis results. The presence of heteroscedasticity increases the possibility of a Type I error (Osborne & Waters, 2002).

The assumption of homoscedasticity or equal variance indicates that population as dependent variable corresponding to the proposed independent variables should have the same variance. It means that all values of dependent variable corresponding to the various independent variables should be equally reliable. The high level of homoscedasticity shows the values closely distributed around their means. Unequal variance (heteroscedasticity) will imply unpredictable variance of the corresponding variable from dependent variables. The variables of the study such as ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working

experience, ethnicity and tax preparation errors were assessed for the equal variance assumption.

Autocorrelation

Regression analysis assumes that there is no autocorrelation. Autocorrelation or serial correlation refers to a condition that a systematic pattern occurs within error terms of a variable. It reflects that all error terms are dependent on the error terms of previous observations. In current research ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience, ethnicity and tax preparation errors were assessed for autocorrelation between their error terms.

After assessment of the assumptions and assuring that data is suitable for further analysis, the data can be used to test the proposed relationship. All of the independent variables are combined simultaneously into the regression equation in standard multiple regression to assess the proposed relationships.

Regression Models

In the context current study, all the relationships were tested using a regression model. Several methods of entering the variables in the regression model exist. These methods are stepwise, forward and backwards methods of entering the variable for estimation. In this present study, the stepwise method is adopted in line with the research framework proposed in this study.

Regression estimation model in this study examines the relationship between independent variables (ethics, co-worker support, work engagement, perceived behavioural control, self recognition) and the dependent variable (tax preparation errors). The general regression model and a specified regression model for the current study are given below:

The general regression equation for estimation relationship between independent and dependent variable is given in Eq 3.1.

$$Y = \beta_0 + \beta_1 + \beta_2 + \dots \epsilon_1 \dots \text{Eq 3.1}$$

In which

β_0 is the intercept,

β_1 is the coefficient and

ϵ_1 is an error.

The specified regression model used in the current study to test the relationship between independent and dependent variable is given in Eq 3.2:

$$TPE = \alpha + \beta_1 E + \beta_2 CS + \beta_3 WE + \beta_4 PBC + \beta_5 SR \dots \text{Eq 3.2.}$$

Where,

E= Ethics

CS= Co-Worker Support

WE= Work Engagement

PBC= Perceived Behavioural Control

SR= Self-Recognition

TPE= Tax Preparation Errors

3.7 Summary

Research methodology serves as the backbone of research process. This chapter explains the methodology employed to reach to the conclusion of current study. Quantitative research design with tax professionals as the unit of analysis is used. The data collection use a convenient sampling technique to select the tax professional. The information about tax professional is retrieved from IRBM website. Moreover, this study carefully chooses the measurements on the basis of previous literature to ensure reliable results. The reliability statistics using pilot test was conducted to assure the appropriateness of measurements. In the data analysis mean, standard deviation, correlation and multiple regression analysis have been used. The following chapter presents data analysis and findings on proposed hypotheses. The necessary details on response rate, demographic profile, assumptions of multiple regression have been given. The data reduction technique Exploratory Factor Analysis (EFA) has been used to assess the appropriateness of items to measure the focal constructs. In addition reliability and validity analysis has been used to determine reliability and validity of measurement scale. Multiple regression analysis has been used to test the proposed hypotheses.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.0 Introduction

This chapter presents results of the data analysis and hypotheses testing with SPSS version 20.0. The first section presents response rate and demographic profile of the respondent (tax professionals). The second section consists of data screening and preliminary analysis data analysis which includes missing values analysis detection of aberrant values, normality tests and multivariate outliers. Moreover, multiple regression analysis assumption i.e. normality, linearity, homoscedasticity and multicollinearity are given. The third section contains Exploratory Factor Analysis (EFA), to find out the smaller set of items from a relatively large set of items. Next section presents reliability and validity test for the scales used in the current study. Section five provides descriptive statistics on variables of the current study. Section six discusses correlations between variables. Section seven provides results of hypotheses testing using multiple regression analysis and the last section summarise whole chapter.

4.1 Response Rate and Demographic Profile

This section contains the response rate of the respondents and demographic profile of the respondents i.e. age, experience and ethnicity of the respondents.

4.1.1 Response Rate

This study collected data from 1108 tax professional from 13 states and 2 federal territories (Kuala Lumpur and Labuan) of Malaysia.

The data was conducted over a period of 3 months, starting from March to May 2016.

The response rate was collected using active response rate formula as shown below:

$$\text{Active response rate} = \frac{\text{Total number of responses}}{\text{Total number in sample} - (\text{ineligible} + \text{unreacheable})} \dots\dots \text{Eq 4.1}$$

$$\text{Active response rate} = \frac{361}{1108 - (140 + 345)} = 57.94\%$$

There were total 345 unreachable samples that deny participating in the survey. There were two reasons to not reach to potential respondents, those who deny participating in the survey and other were not accessible because of out of date phone number. Until 31st of May, 2016, 361 questionnaires were received resulting in a response rate of 57.94% as shown in equation 4.1. These questionnaires were used to carry further analysis. The following section provides information on demographic profile of the respondents.

4.1.2 Demographic Profile

The data under demographic variables was collected in order to know the sample characteristics. The demographic information such as age, work experience and ethnicity was collected. The results of descriptive statistics showed that 2.5% of respondents belong to age group 25 to 30 years, 2.8 % of respondents have age between

31 to 35 years, 16.3 % of respondents are of the age between 36 to 40 years, 21.6 % of respondents have age between 41 to 45 years, 15.2% of respondents have ages between 46 to 50 years and 41.6 % of respondents have age between 51 years and above.

The result of the descriptive statistics also showed that there were 7.2 % respondents have working experience of 1-5 years, 9.7 % have working experience of 6-10 years. Moreover, 21.6 % of respondents have working experience of 11-15 years, 18 % have working experience of 16-20 years and 43.5 % have working experience of more than 20 years. The results of descriptive statistic for the ethnicity of the respondents exhibited that 72.9% of respondents were Chinese, 15.8 % Malay, 9.4 % Indians and 1.9 % of the respondents have others ethnicity. The details are given in Table 4.1.

Table 4.1
Demographic Information

Demographics		Frequency	Percentage
Age	25-30 years	9	2.5
	31-35 years	10	2.8
	36-40 years	59	16.3
	41-45 years	78	21.6
	46-50 years	55	15.2
	51 years and Above	150	41.6
	Total	361	100.0
Work Experience	1-5 years	26	7.2
	6-10 years	35	9.7
	11-15 years	78	21.6
	16-20 years	65	18.0
	More than 20 years	157	43.5
	Total	361	100.0
Ethnicity	Chinese	263	72.9
	Malay	57	15.8
	Indian	34	9.4
	Others	7	1.9
	Total	361	100.0

In order to compare the overall population of tax professional and study sample. The available data on demographic profile of overall population and sample were compared. The overall population of tax professionals comprise of 77.18% Chinese, 15.47% Malay, 5.66% Indian and 1.69% others as given in Table 3.1, while the demographic analysis in the current research results in 72.9% Chinese, 15.8% Malay, 9.4% Indians and 1.9% others as in Table 4.1. The population and sample selected possess almost same features with respect to available information on the race of tax professionals. On the basis of above information, it can be asserted that the sample of the current study is a true representative of the tax professionals" population.

4.2 Data Screening and Preliminary Analysis

In the initial stage of data analysis, it is important to ensure that the data for analysis should be free from errors such as missing values, aberrant values and multivariate outlier. The errors should be treated properly before conducting the analysis, confusing results will be generated in case of improper treatment of these errors (Tabachnick & Fidell, 2007; Hair et al., 2010; Pallant, 2010; Hameed, Roques & Arain, 2013). The current research conducted data screening process to assess missing value, aberrant values and multivariate outliers.

4.2.1 Treatment of Missing Data

The presence of missing values in a dataset is troublesome and can mislead the results (Hair et al., 2010). Therefore, missing values analysis is performed in the first step of

data analysis, details are given in Appendix B. The missing value analysis results showed that there is no missing value in the data.

4.2.2 Treatment of Aberrant Values

In data screening process, the researcher also detects those values that are out of the range of the given response categories of the quantitative variables such as values outside of 1 to 5 range and such values are known as the abnormal values or aberrant values. So, it is recommended by the researchers to treat such kind of errors before the analysis (Hair et al., 2010; Pallant, 2010). In the present study, no evidence of aberrant values was found.

4.2.3 Removing Outliers

Outliers are classified by Hair et al. (2010) as “observations with a unique combination of characteristics identifiable as distinct from the other observations” (p.62). Due to four common reasons outliers can be found in the data set, these are a procedural error, an extraordinary event, observations and unique combination of values across the variables (Hair et al., 2010; Weiss & Weiss, 2012).

There are different methods for detecting the outliers (Tabachnick & Fidell, 2007; Hair et al., 2010). Univariate and Bivariate outlier detection have the same drawback of producing large numbers of scatter plots of the items of the variables and it becomes troublesome in identifying outliers of a large dataset. But the multivariate detection can detect the multivariate outliers by using the Mahalanobis D^2 method to some common

point (Hair et al., 2010). Therefore, Mahalanobis D^2 method was used to detect and handle the multivariate outliers in the current study (items of a variable with $\alpha \geq 0.001$) were treated as outliers. Based on the criteria, there were 2 cases reported as outliers and shown in Appendix B. Normality tests was run after excluding those 2 cases. Therefore, the further analysis was conduct using a data of 359 cases.

4.2.4 Assumption of Normality

Data normality commonly assessed through the systematic curve in which the majority of the observations lies in the centre of the curve and a smaller amount of data on the extreme edges (Pallant, 2010). In order to check the normality of the data distribution, the values of skewness and kurtosis should be evaluated as suggested by the Kline (2005) and Pallant (2010). In social sciences, many measurements and scale may have positively or negatively skewed nature (Pallant, 2010). As elaborated by Hair et al. (2010), kurtosis is the feature of the distribution represents the degree to which the observation gathers around its mean for a given standard deviation and skewness referred to the tendency of the data to lie on the extreme left of extreme right of the distribution curve. There are various benchmarks to assess normality of the distribution on the basis of values of skewness and kurtosis. Kline (1998) suggested that the acceptable value for skewness is between +3 and -3; if the values fall in between the given threshold, it would be acceptable. In this current study, the value of the skewness lies between the range of -3 and +3, indicating that the data is not skewed. The value of the kurtosis should also lie in between the range of +3 and -3 as per Coakes and Steed

(2003). For the current study data, all the values skewness and kurtosis lie within the suggested range of +3 to -3, as shown in Table 4.2.

Table 4.2
Descriptive Statistics of Variables

Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Ethics	-0.115	0.129	-0.453	0.257
Co-Worker Support	-0.081	0.129	-0.581	0.257
Work Engagement	-0.042	0.129	-0.508	0.257
Perceived Behavioural Control	-2.551	0.129	0.605	0.257
Self-Recognition	0.539	0.129	0.163	0.257
Tax Preparation Errors	-0.199	0.129	-0.094	0.257

The descriptive statistics depicts that most of the items were normally distributed, i.e., skewness values were in the range between -3 to +3 and kurtosis values were in the range between -10 to +10 as suggested by Kline (2005).

The assumption of the normality was tested through histogram. The assessment of normality using histogram indicates that the data is normal and hold the assumption of normality as shown in Figure 4.1.

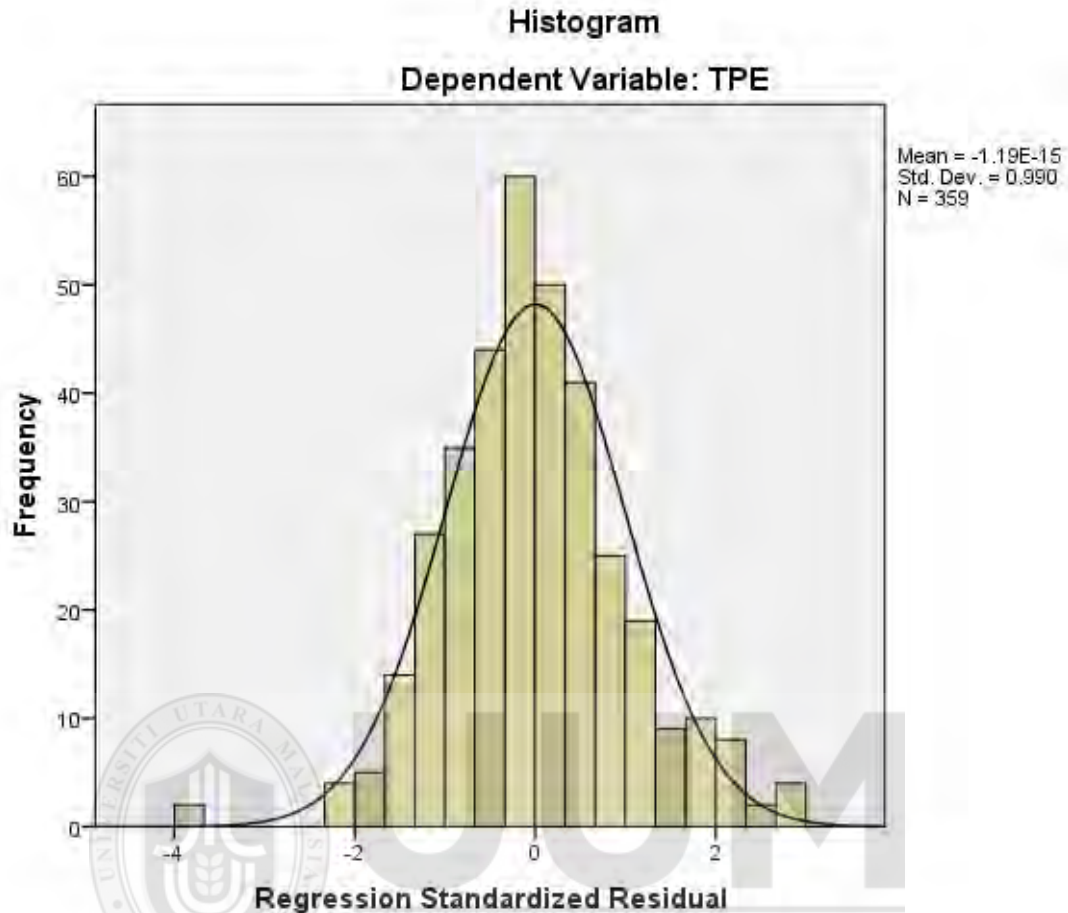


Figure 4.1
Histogram

4.2.5 Test of Linearity

Linearity testing determines the association with the dependent variable; in other words, it predicts the right direction of hypotheses. A positive value means the relationship is considered as positive. Hair et al. (2010) suggested the use of partial regression plots to ensure the best representation of variables in the equation when there is more than one independent variable. The P-P plot curve showed that the majority of the data lie on the regression line and depicts that linearity assumption holds for the data. Figure 4.2, showed the output of linearity test using the P-P plot.

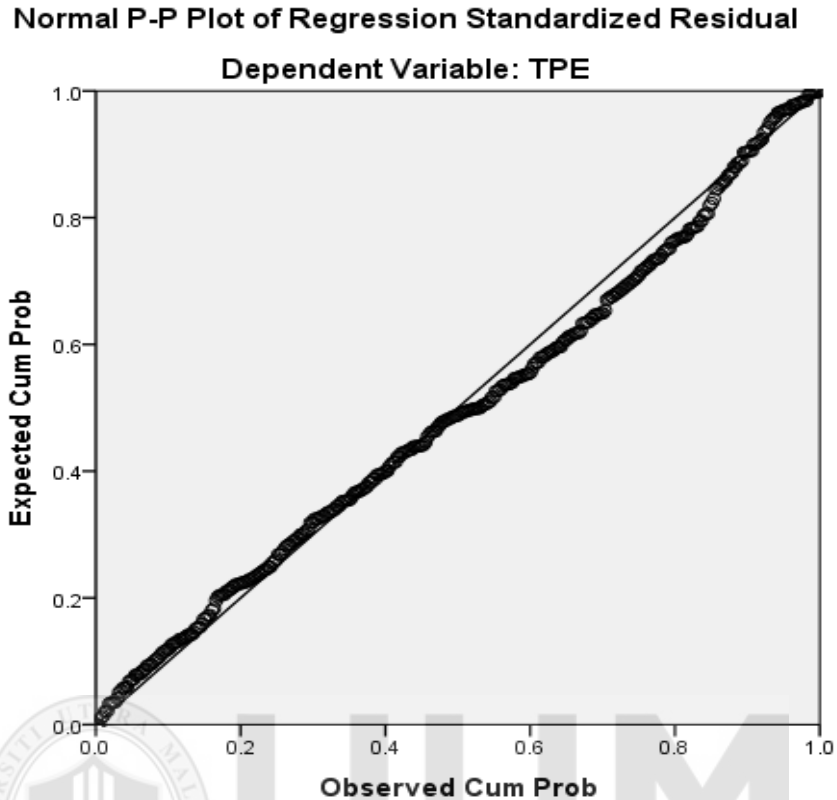


Figure 4.2
Normal P-P plot of regression standardised residual plot

4.2.6 Test of Homoscedasticity

This assumption of the homoscedasticity is examined using scatter plot. The scatter plot in Figure 4.3 shows that there is no relationship between the residuals and predicted values. The data is not showing any trend on the positive or negative side. Thus the scatter plot show that the data holds the assumption of homoscedasticity and can be used further to test the hypothesis.

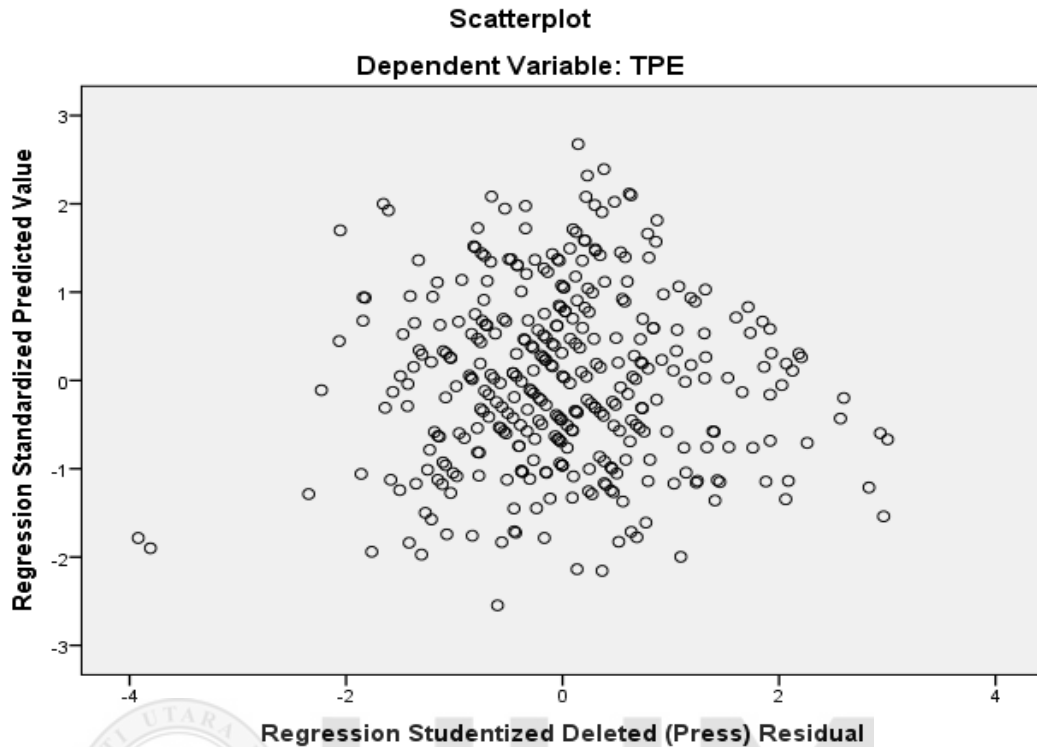


Figure 4.3
Scatter Plot

4.2.7 Multicollinearity Test

Testing of multicollinearity among independent variables is greatly recommended before testing the proposed model (Hair et al., 2010). Multicollinearity indicates the existence of a setback in correlation matrix when an independent variable is significantly highly correlated with another independent variable. Additionally, based on the recommendation of Hair et al. (2010), the detection of multicollinearity arises when the correlation value is over 0.90. This test is facilitated through examining the tolerance value and the Variance Inflation Factor (VIF). According to Hair et al. (2010), the tolerance value is the amount of variability of the chosen independent variable that is not explained by other independent variables whereas the VIF is the inverse of tolerance. The tolerance value and VIF's cut-off points are 0.10 and 10, respectively, indicating

that VIF value should be closer to 1.00 in order to indicate little or no multicollinearity. In the current study, tolerance values ranged between 0.803 and 0.977 while VIF values ranged between 1.023 and 1.245. Thus the result signified no violation of multicollinearity assumption as depicted in Table 4.3.

Table 4.3
Tolerance and VIF

Variables	Tolerance	VIF
Work Experience	0.955	1.047
Ethnicity	0.977	1.023
Ethics	0.880	1.137
Co-Worker Support	0.976	1.025
Work Engagement	0.803	1.245
Perceived Behavioural Control	0.969	1.032
Self-Recognition	0.831	1.203

The result of the multiple regression assumption test indicates that the data hold all the assumptions of the multiple regression and can be used for further analysis.

4.3 Factor Analysis

Factor analysis is the appropriate statistical technique to find out the smaller number of items from a relatively large set of items and to find the accurate reliability and validity of the scales. This procedure groups the items of variables on the basis of the correlations and it is an excellent statistical technique to determine the underlying structure of the questionnaire. Those items which have a correlation between them and

share the same dimensions will be selected in computation of variables. Such composite variables are also described as factors.

For conducting the factor analysis, it is mandatory to check whether the sample is adequate to conduct factor analysis. Therefore, in the present study data has been screened from the missing value, aberrant values and outliers and along with these assumptions all the 54 items of variables were measured on the Likert scale, and it fulfils the requirement of factor analysis. For factor analysis, it is also necessary to have the sufficient sample size. In the current study sample size is 359 and it is permissible to conduct factor analysis. Hair et al. (2010) stated that the minimum sample size should not less than 50 and preferably the data should be larger than 100.

However, it is also argued that sample size is not a big issue if the factors loadings are above 0.60 (Guadagnoli & Velicer, 1988). Similarly, MacCallum, Widaman, Preacher and Hong (2001) described that violation of the assumption of factor analysis such as sample size is not an issue, such violations just reduce the observed correlations. Moreover, it is also stated that sample size is not important if the items have high communalities (MacCallum, Browne & Sugawara, 1996; MacCallum et al., 2001). But the current study fulfils the sample size requirement.

For performing factor analysis, it is also necessary that variables should be significantly correlated with each other and correlation matrix of the current study indicate that almost all variables were correlated. There are some statistical techniques available to

check the level of correlation of the variable such as Kaiser Meyer Oklin value should be greater than the suggested value of 0.60 by Chang et al. (2008) and also Bartlett's Test of Sphericity should be significant (Pallant, 2010). There are various cut-off has given by the authors to retain the items of a construct. Kim and Mueller (1978) described that at least three items for each factor should be retained. On factor loading, a loading of 0.71 is considered excellent, above 0.63 very good, above 0.45 fair and 0.32 as poor (Comrey & Lee, 1992). Therefore suggestions by Comrey and Lee (1992) seem appropriate for the current study to retain the items.

The current study followed Nayyar (2012) for conducting factor analysis. Nayyar (2012) conducted factor for each variable separately and compute the variables based on retained items. Moreover, the reliability and validity of measurement scale and the pilot test results provide sufficient reliability and none of the items was excluded at that stage. This ensures items used are reliable and hold sufficient reliability and validity. Items used in the current study to measure respective constructs are well established scales with high reliability as given in section 3.5. Thus, based on the reliability of the measurement reported by earlier studies and method suggested by Nayyar (2012); Sarok and Jihet (2012), the current study run the factor analysis for each construct separately. The following section provides detailed factor analysis.

4.3.1 Factor Analysis of Ethics

The 7 items of independent variable ethics were used in the principal component analysis using SPSS. After running the Exploratory Factor Analysis (EFA), 1 item of ethics "The duty of a tax professional is to the client limited only by a duty to uphold the

letter of the law” item was excluded due to low factor loading (0.425) which is less than 0.50 (refer Appendix C). After excluding the item with low factor loading, exploratory factor analysis was run again to retain the items with factor loading above 0.50. The value of Cronbach’s Alpha calculated for the items of ethics is 0.837, which is above 0.70 based on suggestions given by Hair et al. (2010) and DeVellis (2016). The value above than the criteria indicates that the items of independent variable ethics fulfil the requirements of the further statistical analysis. The statistical results of the Kaiser Meyer Oklin (KMO) =0.863, Bartlett’s Test of Sphericity = 748.975, significance = 0.000 and Factor loading= >0.50 depicts that data used for the current study is appropriate for factor analysis as given in Table 4.4.

Table 4.4
Factor Analysis and Reliability Test of Ethics

Ethics	Factor Loading
In order to succeed in tax practice it is often necessary for a tax professional to compromise his or her ethics.	0.825
Successful tax professionals are generally more ethical than unsuccessful tax professionals.	0.810
Tax professionals who behave unethically are severely disciplined	0.779
Tax professionals outside my firm/tax practice often engage in activities that I consider to be unethical.	0.696
There are many opportunities for tax professionals to engage in activities or behaviour that I consider unethical.	0.695
An ethical practices code drawn up for the tax profession by experienced tax professionals would raise the ethical level of tax practice.	0.639
Cronbach’s Alpha	0.837
Eigenvalues	3.320
Kaiser Meyer Oklin Measure of Sample Adequacy	0.863
Bartlett’s Test of Sphericity Approx. Chi-Square	748.975
Sig.	0.000

4.3.2 Factor Analysis of Co-Workers Support

After running the EFA on 9 items of co-workers support, 4 items (“My co-workers are supportive of my goals and values”, “My co-workers care about my opinions”, “My co-workers are complimentary of my accomplishment at work” and “My co-workers show very little concern for me”) were excluded due factor loading less than 0.50 (refer Appendix C). After excluding the item with low factor loading, exploratory factor analysis was run again to retain the items with factor loading above 0.50. The Cronbach’s alpha for the retained items of co-worker support is 0.714 which is above 0.70 and acceptable based on criteria given by Hair et al. (2010) and DeVellis (2016). The value above then criteria shows that the items of independent variable co-worker support meet the statistical requirements and suitable for further analysis. The statistical results of KMO = 0.692, Bartlett’s Test of Sphericity = 406.074, significance = 0.000 and Factor loading = >0.50 depicts that the data is appropriate for conducting factor analysis; the details are given in Table 4.5.

Table 4.5
Factor Analysis and Reliability Test of Co-Worker Support

Co-Worker Support	Factor Loadings
My co-workers are willing to offer assistance to help me to perform my job to the best of my ability.	0.783
My co-workers really care about my well-being.	0.672
Even if I did the best job possible, my co-workers would fail to notice.	0.667
Help is available from my co-workers when I have a problem.	0.665
My co-workers care about my general satisfaction at work.	0.626
Cronbach’s Alpha	0.714
Eigenvalues	2.345
Kaiser Meyer Oklin Measure of Sample Adequacy	0.692
Bartlett’s Test of Sphericity Approx. Chi-Square	406.074
Sig.	0.000

4.3.3 Factor Analysis of Work Engagement

In the factor analysis of work engagement, 9 items were used for EFA but none of the items was excluded. All the items have a factor loading more than 0.50, which is acceptable. The Cronbach's alpha of retained items was 0.714 which is above the threshold level. The value depicts that the items of work engagement can be used for further analysis. The statistical results of KMO= 0.761, Bartlett Test of Sphericity = 776.130, Significance = 0.000 and factor loading= >0.50, refers that the data is appropriate for doing factor analysis. The details on factor loadings and reliability coefficient are given in Table 4.6.

Table 4.6
Factor Analysis and Reliability Test of Work Engagement

Work Engagement	Factor Loading
I am enthusiastic about my work.	0.821
My work inspires me.	0.792
I feel strong and vigorous in my work.	0.761
At my work, I feel bursting with energy.	0.751
I am happily engrossed in my work.	0.745
Cronbach's Alpha	0.831
Eigenvalues	3.000
Kaiser Meyer Oklin Measure of Sample Adequacy	0.761
Bartlett's Test of Sphericity Approx. Chi-Square	776.130
Sig.	0.000

4.3.4 Factor Analysis of Perceived Behavioural Control

In factor analysis of perceived behavioural control, 6 items were used to run EFA and 1 item of perceived behavioural control variable "With my expertise, I could easily omit a RM 2,000 cash sale from the tax computation of my client if I wanted to" was excluded

due to low factor loading i.e. less than 0.50 (refer Appendix C). After excluding the item with low factor loading, exploratory factor analysis was run again to retain the items with factor loading above 0.50. The value of Cronbach's alpha calculated for the items of perceived behavioural control is 0.790 which is above 0.70 and considered acceptable on the basis of suggestions from Hair et al. (2010) and DeVellis (2016). The value above then the criteria depicts that the items of independent variable perceived behavioural control fulfil the requirements to be used for further statistical analysis. The statistical results of the KMO=0.902, Bartlett's Test of Sphericity = 2010.432, significance = 0.000 and Factor loading= >0.50, depicts that data collected for the current study is suitable for running factor analysis. The details are shown in Table 4.7.

Table 4.7
Factor Analysis and Reliability Test of Perceived Behavioural Control

Perceived Behavioural Control	Factor Loading
I have much control over overstating the business travelling expenses in the tax return of my client.	0.957
For me to omit RM 2,000 cash sale from the tax computation of my client is difficult.	0.934
I don't have much control over omitting a RM 2,000 cash sale from the tax computation of my client.	0.932
With my expertise, I could easily overstate the business travelling expenses in the tax return of my client, if I wanted to.	0.908
For me to overstate the business travelling expenses in the tax return of my client is easy	0.882
Cronbach's Alpha	0.790
Eigenvalues	4.259
Kaiser Meyer Oklin Measure of Sample Adequacy	0.902
Bartlett's Test of Sphericity Approx. Chi-Square	2010.432
Sig.	0.000

4.3.5 Factor Analysis of Independent Variable Self-Recognition

To run EFA on the items of self-recognition, 5 items of self-recognition were executed and after EFA none of the items was excluded. The items of self-recognition have a factor loading above 0.50.

The value of Cronbach's alpha was calculated for the items of independent variable self-recognition is 0.810, which indicates good reliability of the construct and suitability for further analysis. The statistical results of KMO=0.785, Bartlett's Test of Sphericity = 586.615, significance = 0.000 and Factor loading= >0.50, represents that the data used in the current study is appropriate for factor analysis. Table 4.8 presents the details of factor analysis and items retained.

Table 4.8
Factor Analysis and Reliability Test of Self-Recognition

Self-Recognition	Factor Loading
My work is visible in eyes of my clients.	0.729
My clients pay personal attention to me.	0.703
My clients recognise me and my work.	0.812
My clients appreciated my work	0.776
I always receive due recognition on my good work from my clients.	0.747
Cronbach's Alpha	0.810
Eigenvalues	2.845
Kaiser Meyer Oklin Measure of Sample Adequacy	0.785
Bartlett's Test of Sphericity Approx. Chi-Square	586.615
Sig.	0.000

4.3.6 Factor Analysis of Dependent Variable Tax Preparation Errors

In order to run factor analysis on tax preparation errors, 17 items were executed to principal component analysis. After running the EFA, 7 items (“Sometimes I calculate incorrect total chargeable income due to mathematical error”, “Sometimes I wrongly record the amount for „Tax Payable“ item in the „Tax Repayable“ item or vice-versa”, “Sometimes I miss the deadline to submit the Income Tax Return Form for my clients”, “Sometimes, I face the technical error due to my in-proficiency”, “I always show my work to my clients before the submission of income tax return form”, “I never make a mistake while filing a tax return”, “I am very much concerned about tax preparation errors”) were excluded due to low factor loadings (refer Appendix C). After excluding the item with low factor loading, EFA was run again to retain the items with factor loading above 0.50.

The Cronbach’s alpha value calculated for the items of tax preparation errors is 0.828, which is above 0.70 as per guidance from the study of Hair et al. (2010) and DeVellis (2016). The value above than the criteria indicates that the items of tax preparation errors variable meet the statistical requirements of the further analysis. The statistical results of the KMO=0.812, Bartlett’s Test of Sphericity = 1328.32, Significance = 0.000 and Factor loading= >0.50, infers that the data is appropriate for doing factor analysis. The details on factor loadings, item retained are given in Table 4.9.

Table 4.9

Factor Analysis and Reliability Test of Tax Preparation Errors

Tax Preparation Errors	Factor Loading
Tax preparation errors are just a common matter.	0.720
Tax return will be audited in more details, if the IRBM detects tax preparation errors this would deter me from tax preparation errors	0.701
Tax professionals should be prosecuted in court, would deter me from making tax preparation errors.	0.695
Sometimes I overlooked and prepared tax returns based on information supplied by the client.	0.653
Sometimes I unknowingly understate or overstate taxable income and legitimate deductions in my clients' tax returns or worksheet.	0.653
Sometimes I unintentionally omit reporting or entering income or deductions from an information return or a clients' worksheet.	0.639
I make tax preparation errors regularly.	0.603
Paying a relatively small fine would deter me from tax preparation errors.	0.560
Paying a substantial fine would deter me from tax preparation errors.	0.551
I believe taxpayers are under no legal obligation to file an amended return, so whether to do so I am not that much concerned about errors.	0.512
Cronbach's Alpha	0.828
Eigenvalues	3.998
Kaiser Meyer Oklin Measure of Sample Adequacy	0.812
Bartlett's Test of Sphericity Approx. Chi-Square	1328.32
Sig.	0.000

4.4 Reliability and Validity Analysis

According to Pallant (2010), the reliability of the scale assesses internal consistency and it is defined as "the degree to which the items that make up the scale are measuring the same underlying attribute". Reliability is also defined as the uniformity of results while measuring the items of variables repeatedly (Kim, Park & Jeong, 2004). The results of reliability analysis for all seven variables of the current study are ethics ($\alpha=0.837$), co-workers support ($\alpha=0.714$), work engagement ($\alpha=0.831$), perceived behavioural control

($\alpha=0.790$), self-recognition ($\alpha=0.810$) and tax preparation errors ($\alpha=0.828$). Table 4.10 shows that all the variables establish sufficient level of reliability that is acceptable on the basis of threshold given by Hair et al. (2010).

Table 4.10
Reliability Test for all the Variables

Variables	Cronbach's Alpha
Ethics	0.837
Co-Worker Support	0.714
Work Engagement	0.831
Perceived Behavioural Control	0.790
Self-Recognition	0.810
Tax Preparation Errors	0.828

Moreover, the validity of the measurements was also assessed. The construct validity determined because it is a major component in testing all the outcomes of the instruments. The construct validity means that the scales in the questionnaire behave as expected (Shirali, Shekari, & Angali, 2017). Determining validity can be viewed as constructing an evidence-based argument regarding how well a tool measures what it is supposed to do. Evidence can be assembled to support, or not support, a specific use of the assessment tool (Sullivan, 2011).

The criterion used for the validity test was using correlation coefficient between scale items and cumulative scale. The all items of ethics, co-workers support, work engagement, perceived behavioural control, self recognition and tax preparation errors show significant level of validity. The chosen item for the current study shows sufficient reliability scores as given in Table 4.11.

Table 4.11

Validity Test for all the Variables

	Ethics	CS	WE	PBC	SR	TPE
E1	.705**					
E2	.713**					
E3	.811**					
E4	.797**					
E5	.776**					
E6	.646**					
CS2		.676**				
CS3		.686**				
CS4		.761**				
CS6		.660**				
CS7		.632**				
CS8		.341**				
WE1			.779**			
WE2			.771**			
WE3			.804**			
WE4			.773**			
WE5			.743**			
PBC1				.844**		
PBC2				.933**		
PBC3				.955**		
PBC4				.931**		
PBC5				.910**		
SR1					.733**	
SR2					.706**	
SR3					.805**	
SR4					.770**	
SR5					.753**	
TPE1						.648**
TPE2						.640**
TPE3						.713**
TPE4						.691**
TPE5						.742**
TPE6						.548**
TPE7						.387**
TPE8						.605**
TPE9						.602**
TPE10						.616**

4.5 Descriptive Analysis

In order to understand the variability and interdependence of the variables/factors extracted from factor analysis, the mean and standard deviations were computed for all variable used in the current study. In general, the descriptive analysis of 359 respondents shows that the mean score for all variables ranged from 2.2847 to 4.5616.

The mean value of ethics (mean=3.3259, standard deviation=0.82947) indicates that respondents tend to have a moderate level of ethics in the professional work. It can be inferred that level of ethics among the tax professionals is not at high. They do not follow very high standards of ethics in their tax return preparation. Co-workers support results in mean=2.8245 and standard deviation=0.79444, which indicates that a moderate level of support from co-workers. It can be inferred that level of co-workers support available for the tax professionals from the colleagues is not up to the mark or at a high level.

Furthermore, work engagement (mean=2.9905 and standard deviation=0.96394) depicts that level of work engagement among the tax professionals is not very high but just at a moderate level. It can be argued that the level of engagement among the tax professionals is not high. They are not fully engaged in their work while preparing tax returns for their corporate clients.

The mean value of perceived behavioural control is 4.5616 and the standard deviation is 0.66867, which indicates that respondents have a high level of perceived behavioural

control. The value of perceived behavioural control further indicates that tax professionals have control over their action while preparing tax returns for their corporate clients. The self-recognition (mean=2.2847 and standard deviation=0.81889) indicates that respondents rate level of self-recognition on their work as very low. The low score of self recognition showed that tax professional receive less recognition for their work from their corporate clients. Tax preparation errors (mean=3.7561 and standard deviation=0.67679) reflect that respondents rate their tax preparation error level as very high. The mean values can be interpreted as tax professional agree that they make intentional and unintentional errors while preparing tax returns for their corporate clients. The details of descriptive statistics are given in Table 4.12.

Table 4.12
Descriptive Statistics

Variables	Mean	Std. Deviation
Ethics	3.3259	0.82947
Co-Worker Support	2.8245	0.79444
Work Engagement	2.9905	0.96394
Perceived Behavioural Control	4.5616	0.66867
Self-Recognition	2.2847	0.81889
Tax Preparation Errors	3.7561	0.67679

4.6 Correlation Analysis

Correlation test is used to analyse the association between two variables. Pallant (2010) documented that the correlation coefficient value ranges between -1 to +1. In which value of „0“ represents there is no association between two variables. A value of +1 and -1 indicates strong positive and negative association respectively. Moreover, Cohen

(1988) explained that if the value of the measure of association (r) ranges between ± 0.1 to ± 0.29 , the association will be poor or small. Medium level of association is range between ± 0.30 to ± 0.49 . If the value of $r = \pm 0.50$ and above, the association is considered stronger and represents large effect. The results of the correlation analysis showed that tax preparation errors has significant association with work engagement ($r = -.560^{**}$, $p < .01$) and self-recognition ($r = -.428^{**}$, $p < .01$). The correlation values show that there is medium to strong level of association between the variables as indicated in Table 4.13.

Table 4.13
Correlations

	E	CS	WE	PBC	SR	TPE
1.E	1					
2.CS	0.032	1				
5.WE	-0.298**	-0.038	1			
6.PBC	-0.104*	-0.013	-0.036	1		
7.SR	-0.182**	-0.142**	0.346**	-0.065	1	
8.TPE	0.073	-0.028	-0.558**	-0.028	-0.428**	1

**Indicates significance at the 5 % level, and * at the 1 % level

4.7 Regression Analysis

Multiple regression analysis was used to test the hypothesis with the help of SPSS. This technique is useful to test the relationship between variables when there is one continuous dependent variable and multiple continuous independent variables (Pallant, 2010). Multiple regression holds a number of assumptions about the data and it is mandatory to meet all assumptions of regression before testing the proposed hypotheses.

Tabachnick and Fidell (2007) suggested the following assumptions of the multiple regression to be tested.

4.7.1 Test of Regression Assumptions

Four assumptions are critically important to be checked before conducting the regression analysis. According to Hair et al. (2010), they are linearity, normality, homoscedasticity, and independence of error terms. The data of the current study meet all the assumption and suitable to test the hypothesis. As a result of multivariate outlier analysis, two cases were removed for further analysis thus reducing the number of sample to 359 (refer Appendix D).

4.7.2 Test of Hypotheses of the Study

The current study ensures that all the assumptions of the multiple regression fulfilled by the data and data suitable for the further hypotheses testing. This section tests the proposed hypotheses and empirically examines the influence of independent variables on tax preparation errors made by tax professionals. The results of the hypotheses testing are given in Table 4.14.

In the regression analysis model summary results, it can be observed that independent variables used in the current research explained about 42 percent of the variation in the dependent variable ($R^2=0.418$). The value of F-statistics ($F= 35.998$, $p=000$) indicates that overall model is statistically significant. Hypothesis 1, in the current study, proposed that ethics has an influence on tax preparation errors made by tax

professionals. The results demonstrated that ethics has negative and significant relationship influence on tax preparation errors ($\beta=-0.139$, $p<0.05$), therefore, hypothesis 1 is supported based on results of the analysis.

Hypothesis 2 which proposed that co-worker support has an influence on tax preparation errors made by tax professionals. The results of hypothesis testing showed that co-workers support has a negative and significant influence on tax preparation errors as ($\beta = -0.094$; $p < 0.05$), the results provide support for hypothesis 2. In hypothesis 3, it was proposed that work engagement has an influence on tax preparation errors made by tax professionals. The results of analysis supported that work engagement has a negative and significant influence on tax preparation errors ($\beta=-0.483$; $p < 0.01$). Based on results, hypothesis 3 is supported.

Hypothesis 4 indicates that perceived behavioural control has an influence on Tax preparation errors made by tax professionals. The results of the analysis revealed that perceived behavioural control has a negative but significant relationship with tax preparation errors as ($\beta = -0.079$; $p<0.10$). As per work of Kumar, Talib and Ramyah, (2013) and Lind, Marchal and Wathen (2013) if t-value is greater than 1.645, the hypothesis should be accepted and it is an evidence that significant relationship is established between variables. The t-value of PBC is -1.919, so the relationship is considered as significant. Thus, hypothesis 4 is supported. Hypothesis 5 of the current study proposed that self-recognition has an influence on tax preparation errors made by tax professionals. The results of the analysis indicate that self-recognition has a negative

and significant influence on tax preparation errors as ($\beta = -0.318$; $p < 0.01$), therefore, hypothesis 5 is supported.

Hypothesis 6, which proposed that working experience has an influence on tax preparation errors made by tax professionals. The results of the analysis demonstrated that working experience has a negative and significant influence on tax preparation errors as ($\beta = -0.107$; $p < 0.05$), therefore, hypothesis 6 is supported. Hypothesis 7 states that ethnicity of tax professional has an influence on tax preparation errors made by tax professionals. The results of the analysis depict that ethnicity of tax professional has an insignificant relationship with tax preparation errors as ($\beta = 0.065$; $p > 0.10$). Therefore, hypothesis 7 is not supported. The summary of multiple regression analysis results is given in Table 4.14.

Table 4.14
Multiple Regression

Independent Variables	Tax Preparation Errors			R ²	F
	Standardized β	T	Sig.		
(Constant)		20.562	0.000		
Work Experience	-0.107	-2.569	0.011**		
Ethnicity	0.065	1.580	0.115		
Ethics	-0.139	-3.198	0.002**		
Co-Worker Support	-0.094	-2.277	0.023**	0.418	35.998
Work Engagement	-0.483	-10.636	0.000*		
Perceived Behavioural Control	-0.079	-1.919	0.056** *		
Self-Recognition	-0.318	-7.128	0.000*		

***Indicates significance at the 10 % level, ** at the 5 % level, and * at the 1 % level

4.8 Chapter Summary

This chapter has reported the findings of this study. It has also presented findings on the response rate and characteristics of tax professionals, techniques employed in data screening, and the process of factor analysis and reliability tests. Descriptive statistics of all the variables was done. EFA was used as data redundancy technique to compute variables. Multiple regression was used to test the proposed hypothesis of this study. The decision on hypothesis supported and not supported were made on the basis of significance of values. The next chapter discusses the findings of the current study with the help of past literature. Implications, future research directions and limitation will be discussed in next chapter also.



CHAPTER FIVE

DISCUSSION AND RECOMMENDATIONS

5.0 Introduction

This chapter is divided into several sections. In the first section, the objective and purpose of the study are reiterated. The results of the current study are discussed in the light of findings of previous studies. Several implications for the policymakers are discussed with the help of findings of the current study. Moreover, limitations of the current study and recommendations for future studies are presented in detail. The last section of this chapter presents the summary of the whole chapter.

5.1 Recapitulation of the Study Findings

This study aims to empirically investigate the influence of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity on tax preparation errors by tax professionals in Malaysia.

The main research question is do ethics, work engagement, co-worker support, perceived behavioural control, self-recognition, working experience and ethnicity of tax professionals influence tax preparation errors made by tax professionals in Malaysia.

The current research addresses the research question using data from tax professionals working in 13 states of Malaysia and two federal territories (Kuala Lumpur and Labuan). This study has a sample of 1,108 respondents and collected data using survey

questionnaire. In response, 361 respondents filled the questionnaire, representing a response rate of 57.94 percent. The measure of sample adequacy and sample size calculation methods were used to ensure the sufficiency of the sample size to conduct hypothesis testing. The measure and methods used revealed that the data is adequate for further analysis. Results of the reliability and validity tests show that the data is sufficiently reliable. The collected data was analysed using descriptive and inferential statistics (correlation and regression analysis). SPSS was used to test the relationship between the independent variables (ethics, work engagement, co-worker support, self recognition and perceived behavioural control, working experience and ethnicity of tax professionals) and dependent variable (tax preparation errors).

5.2 Discussion

The following section discusses the relationship between ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity of tax professionals and tax preparation errors.

5.2.1 Discussion on the Relationship between Ethics and Tax Preparation Errors

The first research question of this study is to assess the influence of ethics on tax returns preparation errors made by tax professionals. The results show that there is a significantly negative influence of ethics on tax returns preparation errors made by tax professionals. In previous literature, Doyle et al. (2009) suggested that tax professionals involved in the tax system act in their desired way but they have fear of being questioned or challenged by the tax authority in case of overstatement of expense or

understatement of profits. Moreover, Adam (2009) mentioned that ethics promotes the use of moral judgment in decision-making and guides tax professionals in their tax returns preparation process towards socially and morally acceptable practices. In the context of tax returns preparation errors made by tax professionals, Simon (2012) reported that there is a significant influence of ethics on tax returns preparation errors. In line with the results of previous studies, the current study also finds a significant influence of ethics on tax returns preparation errors. It can be argued that Malaysian tax professionals consider ethics as an important aspect when preparing tax returns for their corporate clients. In following ethical and moral values in tax returns preparation, a tax professional can avoid taking an aggressive tax position to support the clients. As per the Malaysian Income Tax Act 1967 guidelines, the tax professionals should not only focus on clients' benefits but consider their obligations towards their profession, the tax authority and society. Tax professionals should follow ethical guidelines and professionalism while preparing tax returns for their corporate clients and avoid any overstatement or understatement that is ethically not acceptable. The current findings are supported by the theory of ethics, where ethics can assist tax professionals to perform their tax returns preparation work carefully and using their knowledge and best ability in order to avoid any potential error that can be problematic for their corporate clients. On the basis of the results, it can be suggested that ethics is a significant factor that can influence tax returns preparation. Thus, there is need to pay more attention to ethical and moral development of the tax professionals. It is recommended that the IRBM should focus on developing ethical and moral sensitivity among the tax professionals to get error-free tax returns.

5.2.2 Discussion on the Relationship between Co-worker Support and Tax Preparation Errors

In addressing the research question related to the influence of co-worker support on tax preparation errors, the results indicate that there is a significantly negative influence of co-worker support on tax preparation errors made by tax professionals in Malaysia. The results are in line with the available literature and previous study results. Where, Leinsdorf (2001) mentioned that co-worker support is considered an appropriate factor to resolve work-related problems because error in tax returns is a problem for tax preparers. If an organisation enhances its level of co-worker support, the organisation will likely experience enhanced performance of its workers (Joiner, 2007). Co-worker support is a positive and supportive mechanism for the workers (Babin & Boles, 1996), which can be helpful for reducing the number of errors in tax returns preparation. Tax professionals can consult their fellow tax professionals in the process of preparing tax returns, especially when they are facing problems. This supportive behaviour will guide and correct the decision-making and reporting processes of tax professionals, instead of driving them towards wrong decisions. Any unclear tax laws which can lead to errors in the tax returns preparation can be clarified with the help of co-workers to prevent errors in tax returns preparation. If a tax professional is provided with consultation and help from his or her co-workers, there will be less chances that a professional will make tax returns preparation errors. Herzberg's two-factor theory supports the results of the current study, where support from co-workers acts as a motivation to work efficiently by seeking help from fellow tax professionals in case of any unclear law or regulation related to tax returns preparation. In this way, co-worker support ensures the tax professionals prepare error-free tax returns. The results of the current study are also in

line with the idea that co-worker support can significantly influence the tax returns preparation errors made by tax professionals. It can be argued that tax professionals should provide support to their fellow co-workers in case of any unclear or ambiguous situation. It is also suggested that tax professionals seek guidance and assistance from their fellow workers in case they are unclear on certain issues rather than reporting a transaction incorrectly in the tax returns for their corporate clients. Thus, it is highly recommended that tax professionals should provide support to each other in order to avoid tax returns preparation errors.

5.2.3 Discussion on the Relationship between Work Engagement and Tax Preparation Errors

The results further reveal that there is a negative influence of work engagement on tax preparation errors made by tax professionals in Malaysia. In the previous literature, it is clearly indicated that work engagement acts as a unique construct, which includes vigour and dedication toward the job (Sonnentag, Binnewies et al., 2010), which is important for higher performance. Furthermore, work engagement is a reflection of a high level of motivation of employees; job performance increases when there is high work engagement among the employees. In tax returns preparation work, dedication, commitment and vigour are highly important, which can be achieved with a high level of work engagement. Professionals are engaged when their emotional, physical and cognitive efforts are reflected in their jobs (Rich et al., 2010). Crawford et al. (2010) reported that with work engagement, employees feel that their work is interesting and easier for them due to commitment and dedication to the tasks assigned to them. In the case of tax professionals, if they are more engaged in their work, there will be less

probability of errors in tax returns preparation. The level of dedication, vigour and absorption of tax professionals can provide the motivation to prepare error-free tax returns, which in turn, reflects their professional skills and commitment toward their profession. The findings are in line with the Herzberg's two-factor theory where work engagement can motivate professionals to be more dedicated and interested in their work. Vigour, dedication and absorption are necessary for superior work performance. With the presence of these factors, tax professionals have less chances to make errors in tax returns prepared for their corporate clients. Based on the findings and discussion, it can be argued that work engagement can be a significant factor that can reduce the chances of errors in tax returns prepared by the tax professionals. It is suggested that corporate clients should put their efforts to maximise the level of engagement among tax professionals. This high level of engagement can improve the tax returns preparation process and can assist the corporate clients to have error-free tax returns.

5.2.4 Discussion on the Relationship between Perceived Behavioural Control and Tax Preparation Errors

The results also show that there is significantly negative influence of perceived behavioural control on tax preparation errors made by tax professionals. In past studies, there is ample evidence that perceived behavioural control can improve the level of performance. Samani and Rasid (2015) reported that having control over work refers to the ability of individuals to understand their work and their command on their job tasks. Perceived control assists the individuals to adjust their quality of work and improve work performance. Lee and Brand (2005) also found that there is strong relationship between perceived level of personal control over work and perceived job performance of

the individuals. Based on the findings of the current research, the control over tax returns preparation reflects the ability of tax professionals to prepare tax returns more efficiently with low probability of tax errors. In line with the Herzberg's two-factor theory, control over the job and skills to perform the job act as the main motivating forces that reduce the chances of errors being made by tax professionals. A tax professional with more control over job-related matters has more expertise to perform the job, which is tax returns preparation in the current study. This ability to control motivates tax professionals to easily handle their tax returns preparation work and minimise the chances of errors during tax returns preparation. The findings suggest that tax professionals have significant control over their ability to prepare tax returns. It can therefore be implied that those tax professionals who have more control over tax returns preparation may make less errors in the tax returns. This current study suggests that tax professionals should be provided with skills and abilities that can enhance their level of control over their tax returns preparation. Based on the above literature and findings, it can be concluded that tax professionals' perceived behaviour control can significantly influence tax returns preparation.

5.2.5 Discussion on the Relationship between Self-recognition and Tax Preparation Errors

In order to answer the research question related to the influence of self-recognition on tax returns preparation errors, the results reveal that self-recognition significantly influences tax returns preparation errors made by tax professionals in Malaysia. The results provide evidence for the argument that recognition of good work can enhance the performance of tax professionals and there would be less chances of tax errors. The

results are in line with previous research, where Freedman (1978) claimed that implementation of effective recognition and rewards can increase the performance of employees of an organisation. In the current research scenario, recognition of the efforts of tax professionals can motivate them to produce quality tax returns with minimum or no errors. When their efforts are recognised, employees will feel valued, and feelings of being valued by others can raise the level of motivation to increase their performance, i.e., error-free tax returns. The argument of Csikszentmihalyi (1990) also supports the results that employees (tax professionals) feel happy and complete when they receive due recognition for their work (Danish & Usman, 2010). In the profession of taxation returns preparation, the tax professionals work for their clients and expect recognition and appreciation for their work apart from monetary benefits. The non-monetary rewards in terms of appreciation for accurate and error-free tax returns prepared by tax professionals for their corporate clients, can act as a major factor that encourages the tax professionals to be proficient and accurate in their tax returns preparation. The theory of reinforcement supports the findings by providing evidence that receiving recognition for well-prepared tax returns can provide motivation to prepare error-free returns. The feelings of being recognised and valued can potentially enhance the work performance of the professionals. The results suggest corporate clients must recognise and appreciate the work of tax professionals in order to get more refined tax work from them. The feeling of being valued by the corporate clients can bring a sense of more responsibility and belonging to the company and its reputation among tax professionals. These positive feelings will provide the required motivation to tax professionals to put more efforts to produce error-free tax returns for their corporate clients. Thus, this study

highly recommends that corporate clients pay attention to recognition and appreciation policies.

5.2.6 Discussion on the Relationship between Working Experience and Tax Preparation Errors

In order to analyse the effect of working experience on tax returns preparation, the current study proposed that working experience of tax professionals negatively influences tax returns preparation errors made by tax professionals in Malaysia. The results provide support for the proposed hypothesis as the results show a significant impact of working experience on tax returns preparation errors made by tax professionals. In previous literature, Tan and Chua (2000) documented that tax professionals with more experience are prone to make less errors in their work as compared to less experienced tax professionals. Furthermore, Dusenbury et al. (2003) pointed out that years of experience and tax knowledge are well-known measures of expertise of tax professionals; experienced tax professionals are given more value compared to inexperienced tax professionals in the tax industry. Tax professionals obtain more knowledge and expertise in handling complex tax transactions and gain experience dealing with complex laws and regulations year by year. Their professional skills increase by attending various training and workshops and handling various kinds of tax returns prepared on behalf of their clients. Similarly, the current study supports with empirical data that tax professionals' working experience is a significant factor that influences the tax returns preparation errors made by tax professionals in Malaysia. The results of the current study are in line with the previous literature and suggests that corporate tax clients should employ the services of highly experienced tax professionals

to get error-free tax returns. Tax professionals with working experience are more prone to make less errors in tax returns prepared for their tax clients.

5.2.7 Discussion on the Relationship between Ethnicity and Tax Preparation Errors

In order to answer the research question on the influence of ethnicity on tax preparation errors, the results of the analysis show an insignificant influence of ethnicity on tax returns preparation errors made by tax professionals in Malaysia, which indicates no support for the proposed hypothesis. In the literature, Sendut (1991) explained that the effect of ethnicity might be significant in a multicultural society where each ethnic group prefers to maintain their ethnic identity. In a multiracial country like Malaysia, the ethnic group might also be an important factor that influences tax-related attitude and behaviour (Kasipillai & Abdul-Jabbar, 2006).

On the other hand, the results of the current study contradict previous literature and find an insignificant influence of ethnicity of tax professionals on tax returns preparation errors in the context of Malaysia. Little, Vyain, Scaramuzzo, Cody-Rydzewski, Griffiths, Strayer and Keirns (2014) highlighted that idea of “race” refers to superficial physical differences that a particular society considers significant, while “ethnicity” is a term that describes shared culture. In the context of Malaysia, the tax professionals share the same culture and undergo the same procedures to be registered as tax professionals with the IRBM. The obligation to follow the same set of rules and regulations and the same tax practices remove the differences in the behaviour of all tax professionals belonging to different ethnicities. This could be the possible reason that ethnicity of the

tax professionals does not significantly influence the tax returns preparation errors made by tax professionals in Malaysia. Based on the results of the study, ethnicity of tax professionals does not significantly influence the tax returns preparation errors.

5.3 Theoretical and Practical Implications of the Study

The following section discusses theoretical, methodological and practical implications based on the findings.

5.3.1 Theoretical Implications

The current study highlights the unexplained phenomena of tax returns preparation errors made by tax professionals, which have not extensively been studied and reported by previous researchers. There is a lack of clarity and less explanation provided in previous research studies on the issue of tax returns preparation errors and how these errors can be reduced. This research presents a framework based on previous research theories for understanding the factors that influence tax returns preparation errors made by tax professionals. This study expands the body of knowledge in the field of taxation by incorporating factors, such as ethics, co-worker support, work engagement, self-recognition, perceived behavioural control, working experience and ethnicity, that potentially influence tax preparation errors made by tax professionals in Malaysia.

5.3.2 Methodological Implications

The second implication is in terms of the methodology employed to test the proposed hypotheses. Very few studies on tax professionals have examined empirically the

influence of ethics, co-worker support, work engagement, perceived behavioural control, self-recognition, working experience and ethnicity of tax professionals on the tax returns preparation errors. This study is among the few that uses quantitative data analysis technique and measurement scales with high reliability and validity to measure the underlying study constructs. Thus, this study implies that ethics, co-worker support, work engagement, perceived behavioural control, self-recognition and working experience are the significant factors that influence tax preparation errors made by tax professionals. This empirical analysis generates interesting and important findings for the tax professionals, corporate taxpayers and the IRBM.

5.3.3 Practical Implications

Based on the findings of the current study, several implications that are relevant to the tax professionals and tax returns preparation in Malaysia are suggested. In the first implication, the findings suggest that ethics plays a significant role in shaping the tax-related performance of tax professionals. In decision-making regarding tax returns preparation and taking a position for the corporate clients, ethical sensitivity and morality of tax professionals are key determinants of their tax returns preparation work. Ethical training that can enhance the ethical and moral sensitivity of professionals is very important in order to prepare error-free tax. Moreover, ethics can guide the tax professionals to follow the rules, regulations, law and ethical practices while preparing returns on behalf of the corporate clients. When the tax professionals follow ethical guidelines, there are less chances of deliberate errors and omissions in tax work. Thus,

ethics serves as a critical component to enhance the tax returns preparation process and performance of tax professionals.

Secondly, the work of tax professionals can be enhanced by increasing the level of motivation among them. The findings identify self-recognition, work engagement and co-worker support as motivators that can significantly influence the tax returns preparation by tax professionals. Corporate taxpayers (clients) can assist the tax professionals by motivating them with due recognition for a job well done. Moreover, tax professionals should encourage and support each other in case their fellow tax professionals face any difficulty regarding the law or any transaction that might be confusing. The support of the co-workers at crucial times will not only ease the work of the tax professionals but also reduce the chances of tax returns preparation errors. In addition to that, engagement level of tax professionals should be enhanced by providing them bonus schemes and training on how to get involved in work, as well as through a review of communication tactics and engagement awareness programmes. Thus, recognition, co-worker support and work engagement should be the points of attention by the clients and the IRBM.

Thirdly, the current research takes into account the level of perceived behavioural control of tax professionals over their job. The findings suggest that tax professionals should be equipped with required skills and understanding of their work. Greater control over job tasks and command on the work exert positive influence on tax returns prepared by tax professionals. In order to enhance the performance of tax professionals,

the IRBM and professional tax bodies should emphasise on extensive training that can enhance not only skills but the confidence of the tax professionals to deal with difficult situations where their decision-making power and confidence can improve their work and overall job performance. Moreover, the research suggests that corporate taxpayers should hire tax professionals with more working experience. More experience shows more capability to understand the tax transactions and also ability to deal with complex tax laws and regulations. Tax professionals with more experience are prone to make less errors in tax returns compared to those with less experience as tax professionals. Thus, working experience of the tax professionals can enhance the tax returns preparation process and reduce the chances of tax errors.

5.4 Limitations and Future Research Recommendations

The current research provides useful findings and significantly contributes from the theoretical, practical and methodological aspects, but like other studies, it has limitations that need the attention of future researchers. These limitations are predominantly related to methodology and generalisability. These limitations are due to time and money-related constraints. This section presents a few limitations and research directions for future researchers to extend knowledge in the field of taxation, especially in tax returns preparation.

The first limitation is the current research was conducted to examine how ethics, co-worker support, work engagement, perceived behavioural control, self-recognition,

working experience and ethnicity of tax professionals impact on the tax preparation errors made by tax professionals in Malaysia.

In future, research studies may investigate other factors that can potentially influence the tax preparation errors made by tax professionals. An advanced model of tax returns preparation errors can reconfirm the insignificant factors, such as ethnicity of tax professionals and by including more factors that can significantly influence the tax returns preparation errors made by tax professionals.

Secondly, the current research model measures the direct relationship between ethics, co-worker support, work engagement, self-recognition, perceived behavioural control, working experience, ethnicity and tax returns preparation errors without using any mediating or moderating variables.

Further studies can use other variables that can potentially moderate or mediate the relationship between the factors that influence tax returns preparation errors.

Thirdly, the cross-sectional design of this study comes with limitations pertaining to the nature of the data set. The respondents are surveyed in this study during a particular time frame to provide a snapshot of the condition and subsequently may provide different responses under a different time frame ($t + 1$). As such, the ability to conclude with absolute certainty is restrained to a certain extent.

Future research studies can employ a longitudinal study to predict the behaviour of tax professionals over a period of time. The studies can incorporate some behavioural interventions to assess the effect of ethical, moral and skills training and the after-effect of these trainings on tax returns preparation performance.

Fourthly, this study is conducted in Malaysia, which is one of the developing countries. Precautions must be taken when generalising the results of the study and therefore the results may be generalised only to similar environments and at a similar stage of development in any related context.

The fifth recommendation is in order to understand the behaviour of tax professionals across cultures, future studies may collect data from more than one country to compare the cross-cultural behaviour of tax professionals and their tendency to make tax returns preparation errors.

Finally, the phenomenon of tax returns preparation errors is discussed using a quantitative approach, which is an extension of prior qualitative work. The quantitative or qualitative studies may not provide full understanding and support to the findings. Future research may employ a mixed method or triangulation to explore the unexplored part of tax returns preparation errors with the help of both qualitative and quantitative data.

5.5 Conclusion

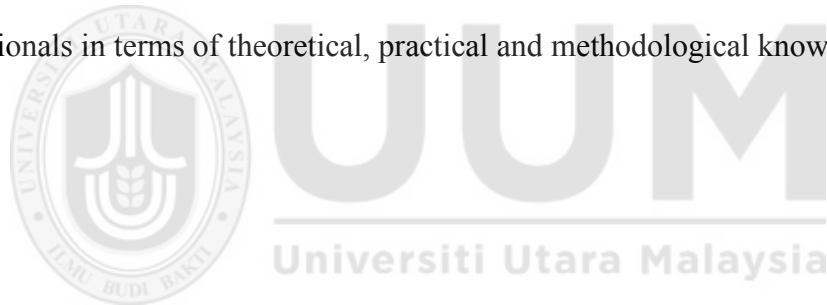
In a dynamic and highly competitive society, the IRBM has to upgrade current competencies and capability of the tax professionals by utilising the resources optimally in order to maximise available opportunities and cope with identified challenges.

Tax professionals play an important role in the collection of the right amount of tax from taxpayers. The practices of tax professionals should be streamlined with the IRBM so that the tax system is more practical and efficient. The empirical test ascertains the role of ethics, co-worker support, work engagement, self-recognition and working experience.

Ethical principles are not the only reasons that can cause reduction in tax returns preparation errors but co-worker support, self-recognition, work engagement and working experience can significantly influence tax preparation errors made by tax professionals. The findings of the current study conclude that the IRBM should encourage tax professionals who do good work and recognise their efforts in preparing error-free tax returns or at least with minimum errors. In the tax preparation system, co-workers/peers should support each other and help to review the work before sending to the IRBM or clients. The support from co-workers will help the tax professionals to make less tax returns preparation errors while preparing tax returns. Tax professionals can discuss ambiguous or unclear codes of law with their co-workers to avoid any complexity. The IRBM should engage tax professionals in a way that can increase their engagement in their tax returns preparation work. It is suggested that more engaged tax

professionals will have less tendency to make tax returns preparation errors. Working experience in the tax department can also help in handling tax-related issues and ultimately in reducing tax returns preparation errors.

This study of tax returns preparation errors may contain few uncertain assumptions and statements not in line with previous research findings. This study not only contributes theoretically but offers practical implications for tax professionals, corporate taxpayers and the IRBM. Furthermore, with regards to the limitations of the current study, several future research directions are drawn. To conclude, the current research makes a valuable contribution to the growing body of knowledge in the field of taxation and tax professionals in terms of theoretical, practical and methodological knowledge.



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APPENDICES

Appendix A: Questionnaire

NO

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Dear Sir/Madam:

I am inviting you to participate in my research project entitled “Tax Preparation Errors”.

I hope you will be able to assist me by completing the questionnaire. All information provided will be treated as private and confidential. It will be solely used for the purposes of my project paper. As is normally in academic research, I shall not disclose the names of individuals who provided me with particular information. All data will be analyzed in a collective manner and not attributed to named individuals.

Thank you in advance for your time and cooperation. Any questions please contact me:

Loh Chik Im

Master of Science (Accounting)
College of Business, Othman Yeop Abdullah School (OYA)
H/P : 014 9048175
Email : chikimloh@yahoo.com

Demographic

(Please tick with [√] where applicable)

1. Age:

- | | |
|----------|--------------------------|
| 25 – 30 | <input type="checkbox"/> |
| 30 – 35 | <input type="checkbox"/> |
| 35 – 40 | <input type="checkbox"/> |
| 40 – 45 | <input type="checkbox"/> |
| 45 – 50 | <input type="checkbox"/> |
| Above 50 | <input type="checkbox"/> |

2. Working experience:

- | | |
|-------------------|--------------------------|
| Less than 5 years | <input type="checkbox"/> |
| 6 – 10 | <input type="checkbox"/> |
| 11 – 15 | <input type="checkbox"/> |
| 16 – 20 | <input type="checkbox"/> |
| More than 20 | <input type="checkbox"/> |



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3. Ethnicity

- | | |
|---------|--------------------------|
| Chinese | <input type="checkbox"/> |
| Malay | <input type="checkbox"/> |
| Indian | <input type="checkbox"/> |
| Others | <input type="checkbox"/> |

Section B

Please read this form carefully and give your sincere and honest feedback in five point scale (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree) whatever you feel.

Ethics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
There are many opportunities for tax practitioners to engage in activities or behaviour that I consider unethical.					
Tax practitioners outside my firm/tax practice often engage in activities that I consider to be unethical.					
In order to succeed in tax practice it is often necessary for a tax practitioner to compromise his or her ethics.					
Successful tax practitioners are generally more ethical than unsuccessful tax practitioners					
Tax practitioners who behave unethically are severely disciplined.					
An ethical practices code drawn up for the tax profession by experienced tax practitioners would raise the ethical level of tax practice.					
The duty of a tax practitioner is to the client limited only by a duty to uphold the letter of the law.					
Co-worker support	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My co-workers are supportive of my goals and values.					
Help is available from my co-workers when I have a problem.					
My co-workers really care about my well-being.					
My co-workers are willing to offer assistance to help me to perform my job to the best of my ability.					

Even if I did the best job possible, my co-workers would fail to notice.					
My co-workers care about my general satisfaction at work.					
My co-workers show very little concern for me.					
My co-workers care about my opinions.					
My co-workers are complimentary of my accomplishment at work.					
Self-Recognition	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My work is visible in eyes of my clients.					
My clients pay personal attention to me.					
My clients recognise me and my work.					
My clients appreciated my work					
I always receive due recognition on my good work from my clients.					
Work Engagement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I feel strong and vigorous in my work.					
At my work, I feel bursting with energy.					
I am enthusiastic about my work.					
My work inspires me.					
I am happily engrossed in my work.					
Perceived Behavioural Control	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. For me to overstate the business travelling expenses in the tax return of my client is easy					

With my expertise, I could easily overstate the business travelling expenses in the tax return of my client, if I wanted to					
I have much control over overstating the business travelling expenses in the tax return of my client.					
For me to omit RM 2,000 cash sale from the tax computation of my client is difficult.					
With my expertise, I could easily omit a RM 2,000 cash sale from the tax computation of my client if I wanted to.					
I don't have much control over omitting a RM 2,000 cash sale from the tax computation of my client.					
Tax Preparation Errors	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Paying a relatively small fine would deter me from tax preparation errors.					
Paying a substantial fine would deter me from tax preparation errors.					
Tax return will be audited in more details, if the IRBM detects tax preparation errors this would deter me from tax preparation errors					
Tax professionals should be prosecuted in court, would deter me from making tax preparation errors.					
Tax preparation errors are just a common matter.					

I make tax preparation error regularly.					
I believe taxpayers are under no legal obligation to file an amended return, so whether to do so I am not that much concerned about errors.					
Sometimes I unknowingly understate or overstate taxable income and legitimate deductions in my clients' tax returns or worksheet.					
Sometimes I overlooked and prepared tax returns based on information supplied by the client.					
Sometimes I unintentionally omit reporting or entering income or deductions from an information return or a clients' worksheet.					
Sometimes I calculate incorrect total chargeable income due to mathematical error					
Sometimes I wrongly record the amount for „Tax Payable“ item in the „Tax Repayable“ item or vice-versa.					
Sometimes I miss the deadline to submit the Income Tax Return Form for my clients.					
Sometimes, I face the technical error due to my in-proficiency.					
I always show my work to my clients before the submission of income tax return form					
I never make a mistake while filing a tax return.					
I am very much concerned about tax preparation errors.					

Thank you so much for valuable time

Appendix B: Data Screening

Table 1
Missing Values Analysis

	N	Mean	Std. Deviation	Missing	
				Count	Percent
E1	361	3.3767	1.11151	0	.0
E2	361	3.1856	1.17446	0	.0
E3	361	3.1357	1.11099	0	.0
E4	361	3.3186	1.11600	0	.0
E5	361	3.2271	1.16592	0	.0
E6	361	3.7008	1.01337	0	.0
E7	361	3.7618	.97113	0	.0
PBC6	361	3.0374	1.32261	0	.0
PBC1	361	4.5817	.72234	0	.0
PBC2	361	4.4737	.77100	0	.0
PBC3	361	4.5762	.72678	0	.0
PBC4	361	4.6108	.68631	0	.0
PBC5	361	4.5305	.76315	0	.0
TPE1	361	3.5596	1.17020	0	.0
TPE2	361	3.4765	1.22253	0	.0
TPE3	361	3.5845	.98555	0	.0
TPE4	361	3.7175	.98203	0	.0
TPE5	361	3.5208	1.17390	0	.0
TPE6	361	4.0083	.91131	0	.0
TPE7	361	4.2078	.86188	0	.0
TPE8	361	4.1634	.88719	0	.0
TPE9	361	3.9778	.85930	0	.0
TPE10	361	3.8504	1.00819	0	.0
TPE11	361	3.5540	1.15854	0	.0
TPE12	361	3.4820	1.19969	0	.0
TPE13	361	3.5873	.99373	0	.0
TPE14	361	3.7258	.98298	0	.0
TPE15	361	3.5429	1.16855	0	.0
TPE16	361	4.0139	.91124	0	.0
TPE17	361	4.1939	.87310	0	.0
CS1	361	2.2327	1.04410	0	.0
CS2	361	2.8809	1.16890	0	.0
CS3	361	3.0554	1.21208	0	.0
CS4	361	2.9612	1.14438	0	.0
CS5	361	2.5540	1.08679	0	.0
CS6	361	2.6260	1.12610	0	.0
CS7	361	2.2327	.95518	0	.0
CS8	361	2.1108	.87808	0	.0

CS9	361	2.1357	.94037	0	.0
SR1	361	2.3102	1.08941	0	.0
SR2	361	2.0055	1.01651	0	.0
SR3	361	2.2216	1.12085	0	.0
SR4	361	2.4183	1.06958	0	.0
SR5	361	2.4848	1.13550	0	.0
WE1	361	3.0028	1.31339	0	.0
WE2	361	3.1330	1.31616	0	.0
WE3	361	3.0000	1.20646	0	.0
WE4	361	2.7895	1.14261	0	.0
WE5	361	3.0332	1.25566	0	.0

Table 2
Multivariate Outliers

Cases	Multivariate Outliers
5	0.000001
38	0.000198



Appendix C: Factor Analysis

Table 1
Factor Analysis of Independent variable Ethics

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.853
	Approx. Chi-Square	818.402
Bartlett's Test of Sphericity	df	21
	Sig.	.000
Component Matrix^a		
		Component 1
Successful tax practitioners are generally more ethical than unsuccessful tax practitioners		.803
In order to succeed in tax practice it is often necessary for a tax practitioner to compromise his or her ethics		.801
Tax practitioners who behave unethically are severely disciplined		.771
Tax practitioners outside my firm/tax practice often engage in activities that I consider to be unethical		.695
There are many opportunities for tax practitioners to engage in activities or behaviour that I consider unethical		.687
An ethical practices code drawn up for the tax profession by experienced tax practitioners would raise the ethical level of tax practice		.662
The duty of a tax practitioner is to the client limited only by a duty to uphold the letter of the law		.425
Extraction Method: Principal Component Analysis		

Table 2
Factor Analysis of Independent Variable Co-worker Support

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.717
	Approx. Chi-Square	542.046
Bartlett's Test of Sphericity	df	36
	Sig.	.000

Component Matrix^a		Component 1
My co-workers are willing to offer assistance to help me to perform my job to the best of my ability.		.722
Even if I did the best job possible, my co-workers would fail to notice.		.663
My co-workers care about my general satisfaction at work.		.655
My co-workers really care about my well-being.		.608
Help is available from my co-workers when I have a problem.		.606
My co-workers show very little concern for me.		.572
My co-workers care about my opinions.		.429
My co-workers are complimentary of my accomplishment at work.		.080
My co-workers are supportive of my goals and values.		.057

Extraction Method: Principal Component Analysis

Table 3

Factor Analysis of Independent Variable Perceived Behavioural Control

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.901
	Approx. Chi-Square	2009.479
Bartlett's Test of Sphericity	df	15
	Sig.	.000

Component Matrix^a		Component 1
I have much control over overstating the business travelling expenses in the tax return of my client.		.957
For me to omit RM 2,000 cash sale from the tax computation of my client is difficult.		.934
With my expertise, I could easily overstate the business travelling expenses in the tax return of my client, if I wanted to		.932
With my expertise, I could easily omit a RM 2,000 cash sale from the tax computation of my client if I wanted to.		.908
For me to overstate the business travelling expenses in the tax return of my client is easy		.882
I don't have much control over omitting a RM 2,000 cash sale from the tax computation of my client.		-.018

Extraction Method: Principal Component Analysis

Table 4
Factor Analysis of Dependent Variable Tax Preparation Errors

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.785
	Approx. Chi-Square	2224.593
Bartlett's Test of Sphericity	df	136
	Sig.	.000

Component Matrix^a		Component 1
Tax return will be audited in more details, if the IRBM detects tax preparation errors this would deter me from tax preparation errors		.705
Tax preparation errors are just a common matter.		.693
Tax professionals should be prosecuted in court, would deter me from making tax preparation errors.		.670
Sometimes I overlooked and prepared tax returns based on information supplied by the client.		.616
Sometimes I unintentionally omit reporting or entering income or deductions from an information return or a clients' worksheet.		.587
I make tax preparation error regularly.		.585
Sometimes I unknowingly understate or overstate taxable income and legitimate deductions in my clients' tax returns or worksheet.		.582
Paying a relatively small fine would deter me from tax preparation errors.		.550
Paying a substantial fine would deter me from tax preparation errors.		.530
I believe taxpayers are under no legal obligation to file an amended return, so whether to do so I am not that much concerned about errors.		.481
I always show my work to my clients before the submission of income tax return form		.304
I never make a mistake while filing a tax return.		.282

Sometimes I miss the deadline to submit the Income Tax Return Form for my clients.	.280
Sometimes I wrongly record the amount for „Tax Payable“ item in the „Tax Repayable“ item or vice-versa.	.268
Sometimes I calculate incorrect total chargeable income due to mathematical error	.259
Sometimes, I face the technical error due to my in-proficiency.	.241
I am very much concerned about tax preparation errors.	.169

Extraction Method: Principal Component Analysis



Appendix D: Multiple Regression

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646 ^a	.418	.406	.52149

a. Predictors: (Constant), CS, PBC, WE, Ethnicity, WorkExperience, E, SR

b. Dependent Variable: TPE

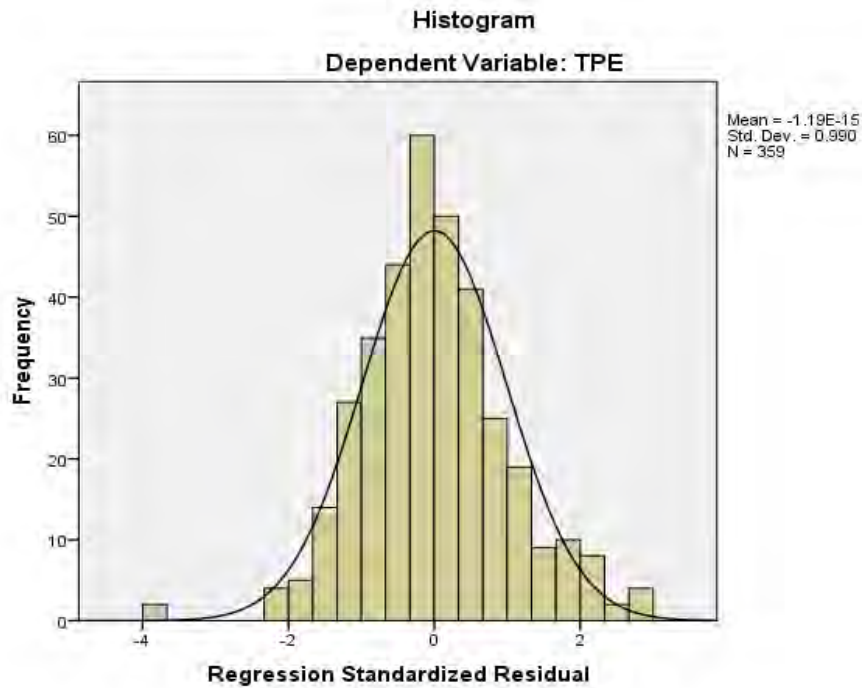
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.526	7	9.789	35.998	.000 ^b
	Residual	95.454	351	.272		
	Total	163.980	358			

a. Dependent Variable: TPE

b. Predictors: (Constant), CS, PBC, WE, Ethnicity, WorkExperience, E, SR

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	6.529	.318		20.562	.000		
E	-.113	.035	-.139	-3.198	.002	.880	1.137
WE	-.339	.032	-.483	-10.636	.000	.803	1.245
PBC	-.080	.042	-.079	-1.919	.056	.969	1.032
SR	-.263	.037	-.318	-7.128	.000	.831	1.203
Work Experience	-.056	.022	-.107	-2.569	.011	.955	1.047
Ethnicity	.059	.038	.065	1.580	.115	.977	1.023
CS	-.080	.035	-.094	-2.277	.023	.976	1.025

a. Dependent Variable: TPE



Normal P-P Plot of Regression Standardized Residual

